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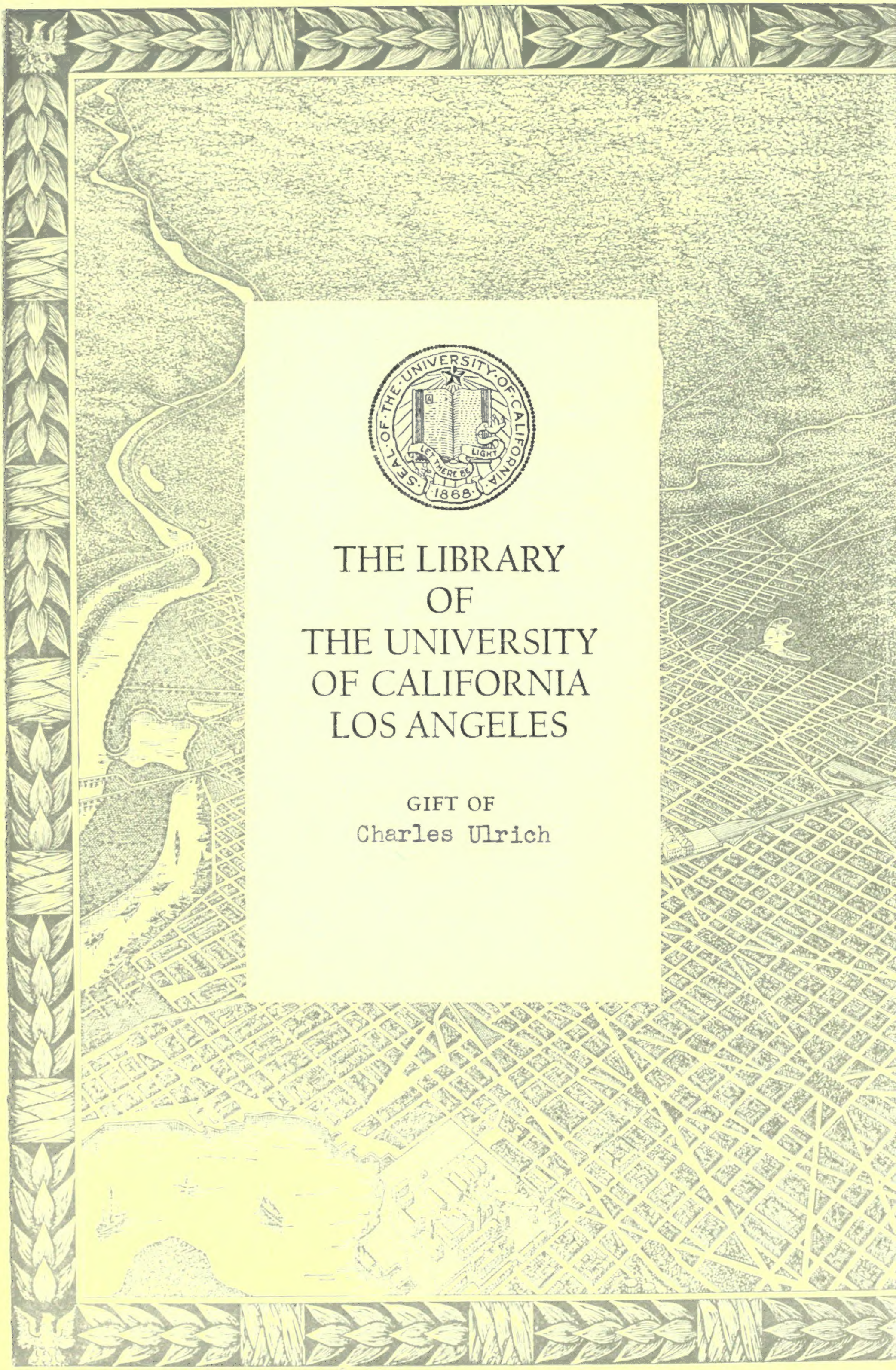

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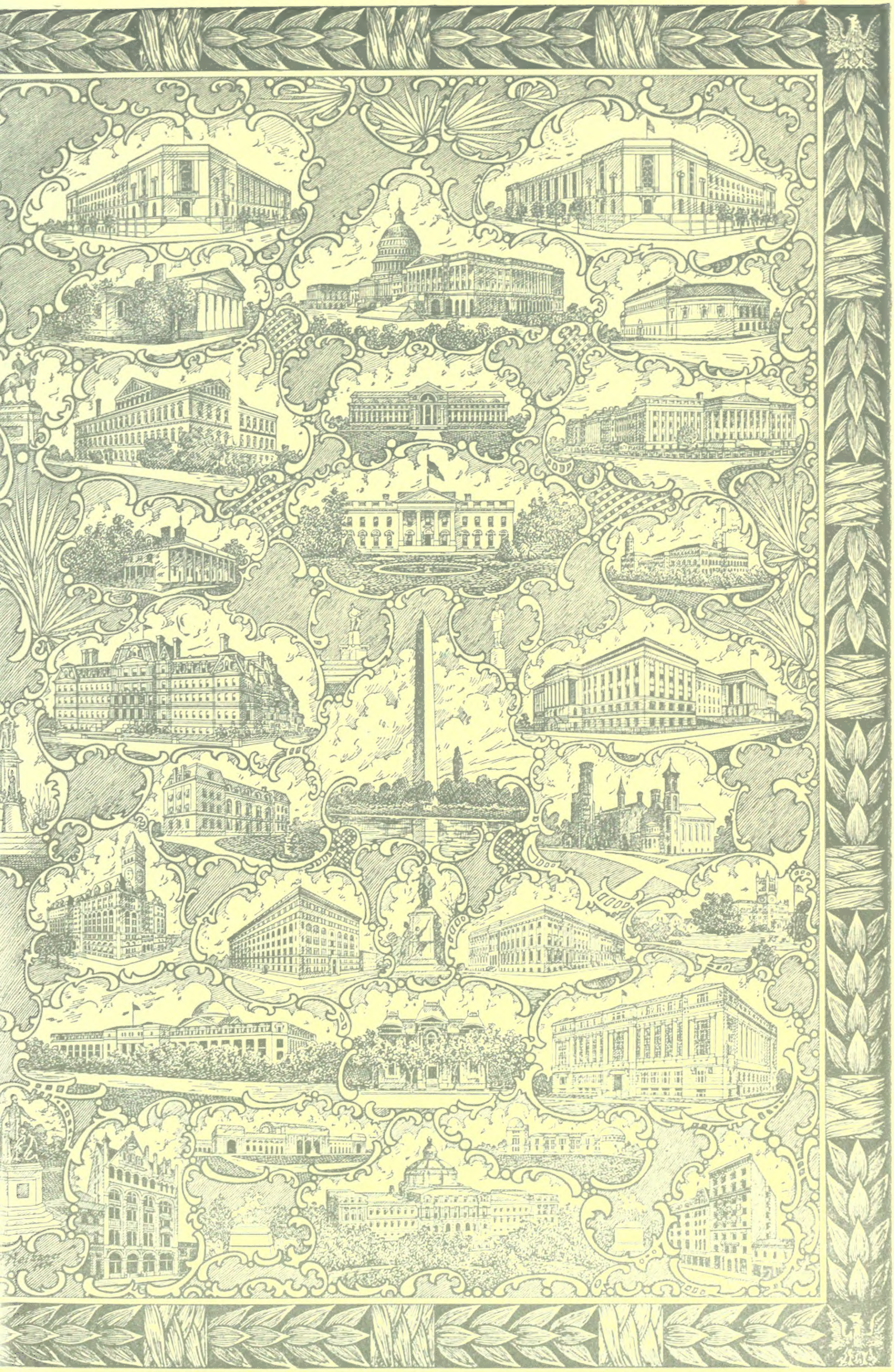

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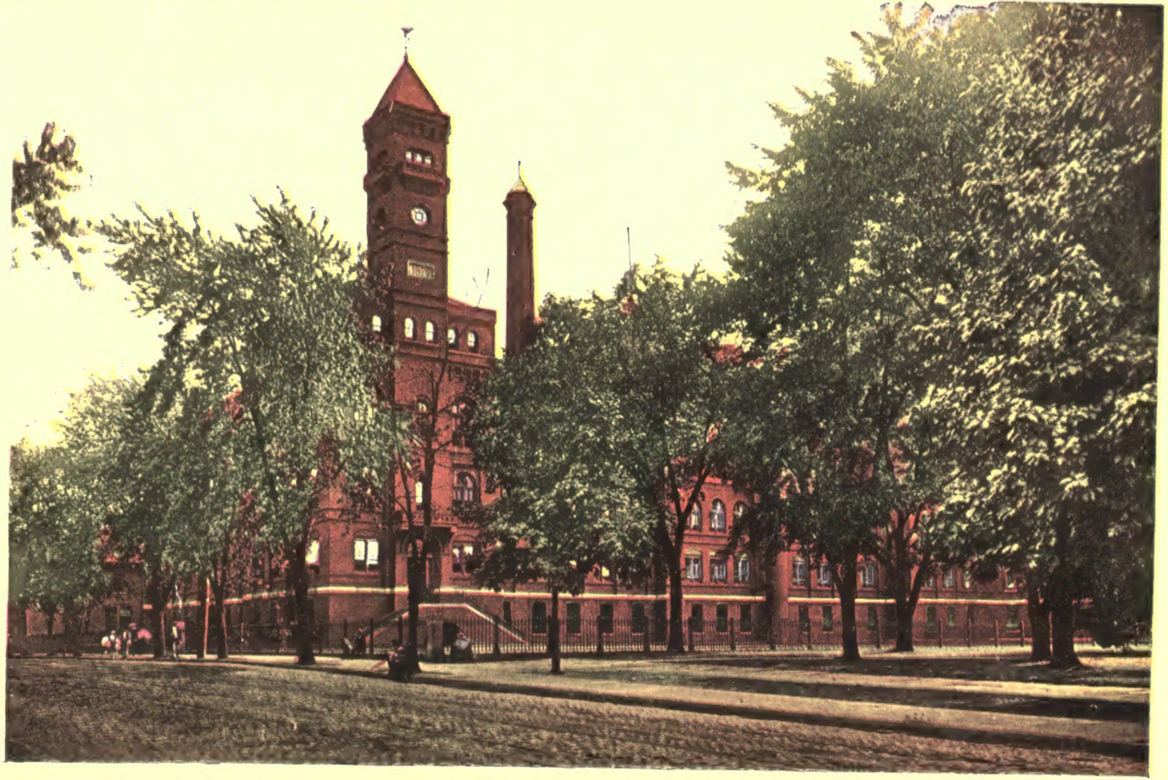

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A COMPILATION
OF THE
MESSAGES AND PAPERS
OF THE
PRESIDENTS

Prepared Under the Direction of the Joint Committee
on Printing, of the House and Senate,
Pursuant to an Act of the Fifty-Second Congress
of the United States

(With Additions and Encyclopedic Index
by Private Enterprise)

VOLUME XVII

PUBLISHED BY
BUREAU OF NATIONAL LITERATURE, Inc.
NEW YORK

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under every obligation of oath and honor not merely to refrain from criminality, but with the sturdiest rigor to hunt down criminality; and the crime they committed or connived at was murder. They perverted the power put into their hands to sustain the law into the most deadly violation of the law. The noncommissioned officers are primarily responsible for the discipline and good conduct of the men; they are appointed to their positions for the very purpose of preserving this discipline and good conduct, and of detecting and securing the punishment of every enlisted man who does what is wrong. They fill, with reference to the discipline, a part that the commissioned officers are of course unable to fill, although the ultimate responsibility for the discipline can never be shifted from the shoulders of the latter. Under any ordinary circumstances the first duty of the noncommissioned officers, as of the commissioned officers, is to train the private in the ranks so that he may be an efficient fighting man against a foreign foe. But there is an even higher duty, so obvious that it is not under ordinary circumstances necessary so much as to allude to it—the duty of training the soldier so that he shall be a protection and not a menace to his peaceful fellow-citizens, and above all to the women and children of the nation. Unless this duty is well performed, the Army becomes a mere dangerous mob; and if conduct such as that of the murderers in question is not, where possible, punished, and, where this is not possible, unless the chance of its repetition is guarded against in the most thoroughgoing fashion, it would be better that the entire Army should be disbanded. It is vital for the Army to be imbued with the spirit which will make every man in it, and above all, the officers and noncommissioned officers, feel it a matter of highest obligation to discover and punish, and not to shield, the criminal in uniform.

Yet some of the noncommissioned officers and many of the men of the three companies in question have banded together in a conspiracy to protect the assassins and would-be assassins who have disgraced their uniform by the conduct above related. Many of these non-commissioned officers and men must have known, and all of them may have known, circumstances which would have led to the conviction of those engaged in the murderous assault. They have stolidly and as one man broken their oaths of enlistment and refused to help discover the criminals.

By my direction every effort was made to persuade those innocent of murder among them to separate themselves from the guilty by helping bring the criminals to justice. They were warned that if they did not take advantage of the offer they would all be discharged from the service and forbidden again to enter the employ of the Government. They refused to profit by the warning. I accordingly had them discharged. If any organization of troops in the service, white or black, is guilty of similar conduct in the future I shall follow precisely the same course. Under no circumstances will I consent to keep in the service bodies of men whom the circumstances show to be a menace to the country. Incidentally I may add that the soldiers of longest service and highest position who suffered because of the order, so far from being those who deserve most sympathy, deserve least, for they are the very men upon whom we should be able especially to rely to prevent mutiny and murder.

People have spoken as if this discharge from the service was a punishment. I deny emphatically that such is the case, because as punishment it is utterly inadequate. The punishment meet for mutineers and murderers such as those guilty of the Brownsville assault is death; and a punishment only less severe ought to be meted out to those who have aided and abetted mutiny and murder and treason by refusing to help in their detection. I would that it were possible for me to have punished the guilty men. I regret most keenly that I have not been able to do so.

Be it remembered always that these men were all in the service of the United States under contracts of enlistment, which by their terms and by statute were terminable by my direction as Commander in Chief of the Army. It was my clear duty to terminate those contracts when the public interest demanded it; and it would have been a betrayal of the public interest on my part not to terminate the contracts which were keeping in the service of the United States a body of mutineers and murderers.

Any assertion that these men were dealt with harshly because they were colored men is utterly without foundation. Officers or enlisted men, white men or colored men, who were guilty of such conduct, would have been treated in precisely the same way; for there can be nothing more important than for the United States Army, in all its membership, to understand that its arms cannot be turned with impunity against the peace and order of the civil community.

There are plenty of precedents for the action taken. I call your attention to the memoranda herewith submitted from The Military Secretary's office of the War Department, and a memorandum from The Military Secretary enclosing a piece by ex-Corporal Hesse, now chief of division in The Military Secretary's office, together with a letter from District Attorney James Wilkinson, of New Orleans. The district attorney's letter recites several cases in which white United States soldiers, being arrested for crime, were tried, and every soldier and employee of the regiment, or in the fort at which the soldier was stationed, volunteered all they knew, both before and at the trial, so as to secure justice. In one case the soldier was acquitted. In another case the soldier was convicted of murder, the conviction resulting from the fact that every soldier, from the commanding officer to the humblest private, united in securing all the evidence in their power about the crime. In other cases, for less offense, soldiers were convicted purely because their comrades in arms, in a spirit of fine loyalty to the honor of the service, at once told the whole story of the troubles and declined to identify themselves with the criminals.

During the civil war numerous precedents for the action taken by me occurred in the shape of the summary discharge of regiments or companies because of misconduct on the part of some or all of their members. The Sixtieth Ohio was summarily discharged, on the ground that the regiment was disorganized, mutinous, and worthless. The Eleventh New York was discharged by reason of general demoralization and numerous desertions. Three companies of the Fifth Missouri Cavalry and one company of the Fourth Missouri Cavalry were mustered out of the service of the United States without trial by court-martial by reason of mutinous conduct and disaffection *of the majority of the members of these companies* (an almost exact parallel to my action). Another Missouri regiment was mustered out of service because it was in a state bordering closely on mutiny. Other examples, including New Jersey, Maryland, and other organizations, are given in the enclosed papers.

I call your particular attention to the special field order of Brig. Gen. U. S. Grant, issued from the headquarters of the Thirteenth Army Corps on November 16, 1862, in reference to the Twentieth Illinois. Members of this regiment had broken into a store and taken goods to the value of some $1,240, and the rest of the regiment, including especially two officers, failed, in the words of General Grant, to " exercise their authority to ferret out the men guilty of the offenses." General Grant accordingly mustered out of the service of the United States the two officers in question, and assessed the sum of $1,240 against the said regiment as a whole, officers and men to be assessed pro rata on their pay. In its essence this action is precisely similar to that I have taken ; although the offense was of course trivial compared to the offense with which I had to deal.

Ex-Corporal Hesse recites what occurred in a United States regular regiment in the spring of 1860. (Corporal Hesse subsequently, when the regiment was surrendered to the Confederates by General Twiggs, saved the regimental colors by wrapping them about his body, under his clothing, and brought them north in safety, receiving a medal of honor for his action.) It appears that certain members of the regiment lynched a barkeeper who had killed one of the soldiers. Being unable to discover the culprits, Col. Robert E. Lee, then in command of the Department of Texas, ordered the company to be disbanded and the members transferred to other companies and discharged at the end of their enlistment, without honor. Owing to the outbreak of the Civil War, and the consequent loss of records and confusion, it is not possible to say what finally became of this case.

When General Lee was in command of the Army of Northern Virginia, as will appear from the inclosed clipping from the Charlotte Observer, he issued an order in October, 1864, disbanding a certain battalion for cowardly conduct, stating at the time his regret that there were some officers and men belonging to the organization who, although not deserving it, were obliged to share in the common disgrace because the good of the service demanded it.

In addition to the discharges of organizations, which are of course infrequent, there are continual cases of the discharge of individual enlisted men without honor and without trial by court-martial. The official record shows that during the fiscal year ending June 30, last, such discharges were issued by the War Department without trial by court-martial in the cases of 352 enlisted men of the Regular Army, 35 of them being on account of "having become disqualified for service through own misconduct." Moreover, in addition to the discharges without honor ordered by the War Department, there were a considerable number of discharges without honor issued by subordinate military authorities under paragraph 148 of the Army Regulations, "where the service has not been honest and faithful—that is, where the service does not warrant reënlistment."

So much for the military side of the case. But I wish to say something additional, from the standpoint of the race question. In my message at the opening of the Congress I discussed the matter of lynching. In it I gave utterance to the abhorrence which all decent citizens should feel for the deeds of the men (in almost all cases white men) who take part in lynchings, and at the same time I condemned, as all decent men of any color should condemn, the action of those colored men who actively or passively shield the colored criminal from the law. In the case of these companies we had to deal with men who in the first place were guilty of what is practically the worst possible form of lynching—for a lynching is in its essence lawless and murderous vengeance taken by an armed mob for real or fancied wrongs—and who in the second place covered up the crime of lynching by standing with a vicious solidarity to protect the criminals.

It is of the utmost importance to all our people that we shall deal with each man on his merits as a man, and not deal with him merely as a member of a given race; that we shall judge each man by his conduct and not his color. This is important for the white man, and it is far more important for the colored man. More evil and sinister counsel never was given to any people than that given to colored men by those advisers, whether black or white, who, by apology and condonation, encourage conduct such as that of the three companies in question. If the colored men elect to stand by criminals of their own race because they are of their own race, they assuredly lay up for themselves the most dreadful day of reckoning. Every farsighted friend of the colored race in its efforts to strive onward and upward, should teach first, as the most important lesson, alike to the white man and the black, the duty of treating the individual man strictly on his worth as he shows it. Any conduct by colored people which tends to substitute for this rule the rule of standing by and shielding an evil doer because he is a member of their race, means the inevitable degradation of the colored race. It may and probably does mean damage to the white race, but it means ruin to the black race.

Throughout my term of service in the Presidency I have acted on the principle thus advocated. In the North as in the South I have appointed colored men of high character to office, utterly disregarding the protests of those who would have kept them out of office because they were colored men. So far as was in my power, I have sought to secure for the colored people all their rights under the law. I have done all I could to secure them equal school training when young, equal opportunity to earn their livelihood, and achieve their happiness when old. I have striven to break up peonage; I have upheld the hands of those who, like Judge Jones and Judge Speer, have warred against this peonage, because I would hold myself unfit to be President if I did not feel the same revolt at wrong done a colored man as I feel at wrong done a white man. I have condemned in unstinted terms the crime of lynching perpetrated by white men, and I should take instant advantage of any opportunity whereby I could bring to justice a mob of lynchers. In precisely the same spirit I have now acted with reference to these colored men who have been guilty of a black and dastardly crime. In one policy, as in the other, I do not claim as a favor, but I challenge as a right, the support of every citizen of this country, whatever his color, provided only he has in him the spirit of genuine and farsighted patriotism.

THEODORE ROOSEVELT.

SPECIAL MESSAGE.

THE WHITE HOUSE, January 14, 1907.

To the Senate:

In my message to the Senate treating of the dismissal, without honor, of certain named members of the three companies of the Twenty-fifth Infantry, I gave the reports of the officers upon which the dismissal was based. These reports were made in accordance with the custom in such cases; for it would, of course, be impossible to preserve discipline in the Army save by pursuing precisely the course that in this case was pursued. Inasmuch, however, as in the Senate question was raised as to the sufficiency of the evidence, I deemed it wise to send Major Blocksom, and Assistant to the Attorney-General Purdy, to Brownsville to make a thorough investigation on the ground in reference to the matter. I herewith transmit Secretary Taft's report, and the testimony taken under oath of the various witnesses examined in the course of the investigation. I also submit various exhibits, including maps of Brownsville and Fort Brown, photographs of various buildings, a letter from Judge Parks to his wife, together with a bandoleer, 33 empty shells, 7 ball cartridges, and 4 clips picked up in the streets of Brownsville within a few hours after the shooting; 3 steel-jacketed bullets and some scraps of the casings of other bullets picked out of the houses into which they had been fired. A telegram from United States Commissioner R. B. Creager, at Brownsville, announces that 6 additional bullets—like the others, from Springfield rifles—taken from buildings in Brownsville, with supporting affidavits, have since been sent to the Secretary of War.

It appears from the testimony that on the night of the 13th of August, 1906, several crimes were committed by some person or persons in the city of Brownsville. Among these were the following:

(*a*) The murder of Frank Natus.

(*b*) The assault with intent to kill the lieutenant of police, Dominguez, whose horse was killed under him and whose arm was shot so severely that it had to be amputated.

(*c*) The assault with intent to kill Mr. and Mrs. Hale Odin, and their little boy, who were in the window of the Miller Hotel.

(*d*) The shooting into several private residences in the city of Brownsville, three of them containing women and children.

(*e*) The shooting at and slightly wounding of Preciado.

These crimes were certainly committed by somebody.

As to the motive for the commission of the crimes, it appears that trouble of a more or less serious kind had occurred between individual members of the companies and individual citizens of Brownsville, culminating in complaints which resulted in the soldiers being confined within the limits of the garrison on the evening of the day in question.

The evidence, as will be seen, shows beyond any possibility of honest question that some individuals among the colored troops whom I have dismissed committed the outrages mentioned; and that some or all of the other individuals whom I dismissed had knowledge of the deed and shielded from the law those who committed it.

The only motive suggested as possibly influencing anyone else was a desire to get rid of the colored troops, so strong that it impelled the citizens of Brownsville to shoot up their own houses, to kill one of their own number, to assault their own police, wounding the lieutenant, who had been an officer for twenty years—all with the purpose of discrediting the negro troops. The suggestion is on its face so ludicrously impossible that it is difficult to treat it as honestly made. This theory supposes that the assailants succeeded in obtaining the uniform of the negro soldiers; that before starting on their raid they got over the fence of the fort unchallenged, and without discovery by the negro troops opened fire on the town from within the fort; that they blacked their faces so that at least fourteen eye-witnesses mistook them for negroes; that they disguised their voices so that it least six witnesses who heard them speak mistook their voices as being those of negroes. They were not Mexicans, for they were heard by various witnesses to speak in English. The weapons they used were Springfield rifles; for the ammunition which they used was that of the Springfield rifle and no other, and could not have been used in any gun in Texas or any part of the Union or Mexico, or in any other part of the world, save only in the Springfield now used by the United States troops, including the negro troops in the garrison at Brownsville, and by no other persons save these troops—a weapon which had only been in use by the United States troops for some four or five months prior to the shooting in question, and which is not in the possession of private citizens.

The cartridge used will go into one other rifle used in the United States, when specially chambered—the Winchester of the '95 model—but it will rarely if ever go off when in it; and, moreover, the bullets picked out of the buildings show the markings of the four so-called " lands " which come from being fired through the Springfield, but not through the Winchester, the latter showing six. The bullets which I herewith submit, which were found in the houses, could not therefore have been fired from a Winchester or any other sporting rifle, although the cartridges might have been put into a Winchester model of '95. The bullets might have been fired from a Krag, but the cartridges would not have gone into a Krag. Taking the shells and the bullets together, the proof is conclusive that the new Springfield rifle was the weapon used by the midnight assassins, and could not by any possibility have been any other rifle of any kind in the world. This of itself establishes the fact that the assailants were United States soldiers, and would be conclusive on this point if not one soldier had been seen or heard by any residents in Brownsville on the night in question, and if nothing were known save the finding of the shells, clips, and bullets.

Fourteen eye-witnesses, namely, Charles R. Chase, Amado Martinez, Mrs. Kate Leahy, Palerno Preciado, Ygnacio Dominguez, Macedonio Ramirez, George W. Rendall, Jose Martinez, J. P. McDonald, F. H. A. Sanborn, Herbert Elkins, Hale Odin, Mrs. Hale Odin, and Judge Parks, testified that they saw the assailants or some of them at varying distances, and that they were negro troops, most of the witnesses giving their testimony in such shape that there is no possibility of their having been mistaken. Two other witnesses, Joseph Bodin and Genero Padron, saw some of the assailants and testified that they were soldiers (the only soldiers in the neighborhood being the colored troops). Four other witnesses, namely, S. C. Moore, Doctor Thorn, Charles S. Canada, and Charles A. Hammond, testified to hearing the shooting and hearing the voices of the men who were doing it, and that these voices were those of negroes, but did not actually see the men who were doing the shooting. About 25 other witnesses gave testimony corroborating to a greater or less degree the testimony of those who thus saw the shooters or heard them. The testimony of these eye and ear-witnesses would establish beyond all possibility of contradiction the fact that the shooting was committed by ten or fifteen or more of the negro troops from the garrison, and this testimony of theirs would be amply sufficient in itself if not a cartridge or bullet had been found; exactly as the bullets and cartridges that were found would have established the guilt of the troops even had not a single eye-witness seen them or other witness heard them.

The testimony of the witnesses and the position of the bullet holes show that fifteen or twenty of the negro troops gathered inside the fort, and that the first shots fired into the town were fired from within the fort; some of them at least from the upper galleries of the barracks.

The testimony further shows that the troops then came out over the walls, some of them perhaps going through the gate, and advanced a distance of 300 yards or thereabouts into the town. During their advance they shot into two hotels and some nine or ten other houses. Three of the private houses into which they fired contained women and children. They deliberately killed Frank Natus, the bartender, shooting him down from a distance of about 15 yards. They shot at a man and woman, Mr. and Mrs. Odin, and their little boy, as they stood in the window of the Miller Hotel, the bullet going less than 2 inches from the head of the woman. They shot down the lieutenant of police, who was on horseback, killing his horse and wounding him so that his arm had to be amputated. They attempted to kill the two policemen who were his companions, shooting one through the hat. They shot at least 8 bullets into the Cowen house, putting out a lighted lamp on the dining-room table. Mrs. Cowen and her five children were in the house; they at once threw themselves prone on the floor and were not hit. They fired into the Starck house, the bullets going through the mosquito bar of a bed from 18 to 20 inches above where little children were sleeping. There was a light in the children's room.

The shooting took place near midnight. The panic caused by the utterly unexpected attack was great. The darkness, of course, increased the confusion. There is conflict of testimony on some of the minor points, but every essential point is established beyond possibility of honest question. The careful examination of Mr. Purdy, Assistant to the Attorney-General, resulted merely in strengthening the reports already made by the regular army authorities. The shooting, it appears, occupied about ten minutes, although it may have been some minutes more or less. It is out of the question that the fifteen or twenty men engaged in the assault could have gathered behind the wall of the fort, begun firing, some of them on the porches of the barracks, gone out into the town, fired in the neighborhood of 200 shots in the town, and then returned—the total time occupied from the time of the first shot to the time of their return being somewhere in the neighborhood of ten minutes—without many of their comrades knowing what they had done. Indeed, the fuller details as established by the additional evidence taken since I last communicated with the Senate make it likely that there were very few, if any, of the soldiers dismissed who could have been ignorant of what occurred. It is well-nigh impossible that any of the noncommissioned officers who were at the barracks should not have known what occurred.

The additional evidence thus taken renders it in my opinion impossible to question the conclusions upon which my order was based. I have gone most carefully over every issue of law and fact that has been raised. I am now satisfied that the effect of my order dismissing these men without honor was not to bar them from all civil employment under the Government, and therefore that the part of the order which consisted of a declaration to this effect was lacking in validity, and I have directed that such portion be revoked. As to the rest of the order, dismissing the individuals in question without honor, and declaring the effect of such discharge under the law and regulations to be a bar to their future reenlistment either in the Army or the Navy, there is no doubt of my constitutional and legal power. The order was within my discretion, under the Constitution and the laws, and can not be reviewed or reversed save by another Executive order. The facts did not merely warrant the action I took—they rendered such action imperative unless I was to prove false to my sworn duty.

If any one of the men discharged hereafter shows to my satisfaction that he is clear of guilt, or of shielding the guilty, I will take what action is warranted; but the circumstances I have above detailed most certainly put upon any such man the burden of thus clearing himself.

THEODORE ROOSEVELT.

SPECIAL MESSAGE.

THE WHITE HOUSE, March 25, 1908.

To the Senate and House of Representatives:

I call your attention to certain measures as to which I think there should be action by the Congress before the close of the present session. There is ample time for their consideration. As regards most if not all of the matters, bills have been introduced into one or the other of the two Houses, and it is not too much to hope that action will be taken one way or the other on these bills at the present session. In my message at the opening of the present session, and, indeed, in various messages to previous Congresses, I have repeatedly suggested action on most of these measures.

Child labor should be prohibited throughout the Nation. At least a model child-labor bill should be passed for the District of Columbia. It is unfortunate that in the one place solely dependent upon Congress for its legislation there should be no law whatever to protect children by forbidding or regulating their labor.

I renew my recommendation for the immediate reënactment of an employers' liability law, drawn to conform to the recent decision of the Supreme Court. Within the limits indicated by the court, the law should be made thorough and comprehensive, and the protection it affords should embrace every class of employee to which the power of the Congress can extend.

In addition to a liability law protecting the employees of common carriers, the Government should show its good faith by enacting a further law giving compensation to its own employees for injury or death incurred in its service. It is a reproach to us as a Nation that in both Federal and State legislation we have afforded less protection to public and private employees than any other industrial country of the world.

I also urge that action be taken along the line of the recommendations I have already made concerning injunctions in labor disputes. No temporary restraining order should be issued by any court without notice; and the petition for a permanent injunction upon which such temporary restraining order has been issued should be heard by the court issuing the same within a reasonable time—say, not to exceed a week or thereabouts from the date when the order was issued. It is worth considering whether it would not give greater popular confidence in the impartiality of sentences for contempt if it was required that the issue should be decided by another judge than the one issuing the injunction, except where the contempt is committed in the presence of the court, or in other case of urgency.

I again call attention to the urgent need of amending the interstate-commerce law and especially the anti-trust law along the lines indicated in my last message. The interstate-commerce law should be amended so as to give railroads the right to make traffic agreements, subject to these agreements being approved by the Interstate Commerce Commission and published in all of their details. The Commission should also be given the power to make public and to pass upon the issuance of all securities hereafter issued by railroads doing an interstate-commerce business.

A law should be passed providing in effect that when a Federal court determines to place a common carrier or other public utility concern under the control of a receivership, the Attorney-General should have the right to nominate at least one of the receivers; or else in some other way the interests of the stockholders should be consulted, so that the management may not be wholly redelivered to the man or men the failure of whose policy may have necessitated the creation of the receivership. Receiverships should be used, not to operate roads, but as speedily as possible to pay their debts and return them to the proper owners.

In addition to the reasons I have already urged on your attention, it has now become important that there should be an amendment of the anti-trust law, because of the uncertainty as to how this law affects combinations among labor men and farmers, if the combination has any tendency to restrict interstate commerce. All of these combinations, if and while existing for and engaged in the promotion of innocent and proper purposes, should be recognized as legal. As I have repeatedly pointed out, this antitrust law was a most unwisely drawn statute. It was perhaps inevitable that in feeling after the right remedy the first attempts to provide such should be crude; and it was absolutely imperative that some legislation should be passed to control, in the interest of the public, the business use of the enormous aggregations of corporate wealth that are so marked a feature of the modern industrial world. But the present anti-trust law, in its construction and working, has exemplified only too well the kind of legislation which, under the guise of being thoroughgoing, is drawn up in such sweeping form as to become either ineffective or else mischievous.

In the modern industrial world combinations are absolutely necessary; they are necessary among business men, they are necessary among laboring men, they are becoming more and more necessary among farmers. Some of these combinations are among the most powerful of all instruments for wrongdoing. Others offer the only effective way of meeting actual business needs. It is mischievous and unwholesome to keep upon the statute books unmodified, a law, like the anti-trust law, which, while in practice only partially effective against vicious combinations, has nevertheless in theory been construed so as sweepingly to prohibit every combination for the transaction of modern business. Some real good has resulted from this law. But the time has come when it is imperative to modify it. Such modification is urgently needed for the sake of the business men of the country, for the sake of the wage-workers, and for the sake of the farmers. The Congress can not afford to leave it on the statute books in its present shape.

It has now become uncertain how far this law may involve all labor organizations and farmers' organizations, as well as all business organizations, in conflict with the law; or, if we secure literal compliance with the law, how far it may result in the destruction of the organizations necessary for the transaction of modern business, as well as of all labor organizations and farmers' organizations, completely check the wise movement for securing business cooperation among farmers, and put back half a century the progress of the movement for the betterment of labor. A bill has been presented in the Congress to remedy this situation. Some such measure as this bill is needed in the interest of all engaged in the industries which are essential to the country's well-being. I do not pretend to say the exact shape that the bill should take, and the suggestions I have to offer are tentative; and my views would apply equally to any other measure which would achieve the desired end. Bearing this in mind, I would suggest, merely tentatively, the following changes in the law:

The substantive part of the anti-trust law should remain as at present; that is, every contract in restraint of trade or commerce among the several States or with foreign nations should continue to be declared illegal; provided, however, that some proper governmental authority (such as the Commissioner of Corporations acting under the Secretary of Commerce and Labor) be allowed to pass on any such contracts. Probably the best method of providing for this would be to enact that any contract, subject to the prohibition contained in the antitrust law, into which it was desired to enter, might be filed with the Bureau of Corporations or other appropriate executive body. This would provide publicity. Within, say, sixty days of the filing—which period could be extended by order of the Department whenever for any reason it did not give the Department sufficient time for a thorough examination—the executive department having power might forbid the contract, which would then become subject to the provisions of the anti-trust law, if at all in restraint of trade.

If no such prohibition was issued, the contract would then only be liable to attack on the ground that it constituted an unreasonable restraint of trade. Whenever the period of filing had passed without any such prohibition, the contracts or combinations could be disapproved or forbidden only after notice and hearing with a reasonable provision for summary review on appeal by the courts. Labor organizations, farmers' organizations, and other organizations not organized for purposes of profit, should be allowed to register under the law by giving the location of the head office, the charter and by-laws, and the names and addresses of their principal officers. In the interest of all these organizations—business, labor, and farmers' organizations alike—the present provision permitting the recovery of threefold damages should be abolished, and as a substitute therefor the right of recovery allowed for should be only the damages sustained by the plaintiff and the cost of suit, including a reasonable attorney's fee.

The law should not affect pending suits; a short statute of limitations should be provided, so far as the past is concerned, not to exceed a year. Moreover, and even more in the interest of labor than of business combinations, all such suits brought for causes of action heretofore occurred should be brought only if the contract or combination complained of was unfair or unreasonable. It may be well to remember that all of the suits hitherto brought by the Government under the antitrust law have been in cases where the combination or contract was in fact unfair, unreasonable, and against the public interest.

It is important that we should encourage trade agreements between employer and employee where they are just and fair. A strike is a clumsy weapon for righting wrongs done to labor, and we should extend, so far as possible, the process of conciliation and arbitration as a substitute for strikes. Moreover, violence, disorder, and coercion, when committed in connection with strikes, should be as promptly and sternly repressed as when committed in any other connection. But strikes themselves are, and should be, recognized to be entirely legal. Combinations of workingmen have a peculiar reason for their existence. The very wealthy individual employer, and still more the very wealthy corporation, stand at an enormous advantage when compared to the individual workingman; and while there are many cases where it may not be necessary for laborers to form a union, in many other cases it is indispensable, for otherwise the thousands of small units, the thousands of individual workingmen, will be left helpless in their dealings with the one big unit, the big individual or corporate employer.

Twenty-two years ago, by the act of June 29, 1886, trades unions were recognized by law, and the right of laboring people to combine for all lawful purposes was formally recognized, this right including combination for mutual protection and benefits, the regulation of wages, hours and conditions of labor, and the protection of the individual rights of the workmen in the prosecution of their trade or trades; and in the act of June 1, 1898, strikes were recognized as legal in the same provision that forbade participation in or instigation of force or violence against persons or property, or the attempt to prevent others from working, by violence, threat, or intimidation. The business man must be protected in person and property, and so must the farmer and the wageworker; and as regards all alike, the right of peaceful combination for all lawful purposes should be explicitly recognized.

The right of employers to combine and contract with one another and with their employees should be explicitly recognized; and so should the right of the employees to combine and to contract with one another and with the employers, and to seek peaceably to persuade others to accept their views, and to strike for the purpose of peaceably obtaining from employers satisfactory terms for their labor. Nothing should be done to legalize either a blacklist or a boycott that would be illegal at common law; this being the type of boycott defined and condemned by the Anthracite Strike Commission.

The question of financial legislation is now receiving such attention in both Houses that we have a right to expect action before the close of the session. It is urgently necessary that there should be such action. Moreover, action should be taken to establish postal savings banks. These postal savings banks are imperatively needed for the benefit of the wageworkers and men of small means, and will be a valuable adjunct to our whole financial system.

The time has come when we should prepare for a revision of the tariff. This should be, and indeed must be, preceded by careful investigation. It is peculiarly the province of the Congress and not of the President, and indeed peculiarly the province of the House of Representatives, to originate a tariff bill and to determine upon its terms; and this I fully realize. Yet it seems to me that before the close of this session provision should be made for collecting full material which will enable the Congress elected next fall to act immediately after it comes into existence. This would necessitate some action by the Congress at its present session, perhaps in the shape of directing the proper committee to gather the necessary information, both through the committee itself and through Government agents who should report to the committee and should lay before it the facts which would permit it to act with prompt and intelligent fairness. These Government agents, if it is not deemed wise to appoint individuals from outside the public service, might with advantage be members of the Executive Departments, designated by the President, on his own motion or on the request of the committee, to act with it.

I am of the opinion, however, that one change in the tariff could with advantage be made forthwith. Our forests need every protection, and one method of protecting them would be to put upon the free list wood pulp, with a corresponding reduction upon paper made from wood pulp, when they come from any country that does not put an export duty upon them.

Ample provision should be made for a permanent Waterways Commission, with whatever power is required to make it effective. The reasonable expectation of the people will not be met unless the Congress provides at this session for the beginning and prosecution of the actual work or waterway improvement and control. The Congress should recognize in fullest fashion the fact that the subject of the conservation of our natural resources, with which this Commission deals, is literally vital for the future of the Nation.

Numerous bills granting water-power rights on navigable streams have been introduced. None of them gives the Government the right to make a reasonable charge for the valuable privileges so granted, in spite of the fact that these water-power privileges are equivalent to many thousands of acres of the best coal lands for their production of power. Nor is any definite time limit set, as should always be done in such cases. I shall be obliged hereafter, in accordance with the policy stated in a recent message, to veto any water-power bill which does not provide for a time limit and for the right of the President or of the Secretary concerned to fix and collect such a charge as he may find to be just and reasonable in each case.

THEODORE ROOSEVELT.

SPECIAL MESSAGE.

THE WHITE HOUSE, December 14, 1908.

To the Senate:

I inclose herewith a letter from the Secretary of War transmitting a report of the investigation made by Mr. Herbert J. Browne, employed by the Department in conjunction with Capt. W. G. Baldwin to investigate as far as possible what happened at Brownsville on the 13th and 14th of August, 1906. The report and documents contain some information of great value and some statements that are obviously worthless, but I submit them in their entirety.

This report enables us to fix with tolerable definiteness at least some of the criminals who took the lead in the murderous shooting of private citizens at Brownsville. It establishes clearly the fact that the colored soldiers did the shooting; but upon this point further record was unnecessary, as the fact that the colored soldiers did the shooting has already been established beyond all possibility of doubt. The investigation has not gone far enough to enable us to determine all the facts, and we will proceed with it; but it has gone far enough to determine with sufficient accuracy certain facts of enough importance to make it advisable that I place the report before you. It appears that almost all the members of Company B must have been actively concerned in the shooting, either to the extent of being participants or to the extent of virtually encouraging those who were participants. As to Companies C and D, there can be no question that practically every man in them must have had knowledge that the shooting was done by some of the soldiers of B Troop, and possibly by one or two others in one of the other troops. This concealment was itself a grave offense, which was greatly aggravated by their testifying before the Senate committee that they were ignorant of what they must have known. Nevertheless, it is to be said in partial extenuation that they were probably cowed by threats, made by the more desperate of the men who had actually been engaged in the shooting, as to what would happen to any man who failed to protect the wrongdoers. Moreover, there are circumstances tending to show that these misguided men were encouraged by outsiders to persist in their course of concealment and denial. I feel, therefore, that the guilt of the men who, after the event, thus shielded the perpetrators of the wrong by refusing to tell the truth about them, though serious, was in part due to the unwise and improper attitude of others, and that some measure of allowance should be made for the misconduct. In other words, I believe we can afford to reinstate any of these men who now truthfully tell what has happened, give all the aid they can to fix the responsibility upon those who are really guilty, and show that they themselves had no guilty knowledge beforehand and were in no way implicated in the affair, save by having knowledge of it afterwards and failing and refusing to divulge it. Under the circumstances, and in view of the length of time they have been out of the service, and their loss of the benefit that would have accrued to them by continuous long-time service, we can afford to treat the men who meet the requirements given above as having been sufficiently punished by the consequences they brought upon themselves when they rendered necessary the exercise of the disciplinary power. I recommend that a law be passed allowing the Secretary of War, within a fixed period of time, say a year, to reinstate any of these soldiers whom he, after careful examination, finds to have been innocent and whom he finds to have done all in his power to help bring to justice the guilty.

Meanwhile, the investigation will be continued. The results have made it obvious that only by carrying on the investigation as the War Department has actually carried it on is there the slightest chance of bringing the offenders to justice or of separating not the innocent, for there were doubtless hardly any innocent, but the less guilty from those whose guilt was heinous.

THEODORE ROOSEVELT.

SPECIAL MESSAGE.

THE WHITE HOHSE, December 15, 1908.

To the Senate and House of Representatives:

In view of the constant reiteration of the assertion that there was some corrupt action by or on behalf of the United States Government in connection with the acquisition of the title of the French Company to the Panama Canal, and of the repetition of the story that a syndicate of American citizens owned either one or both of the Panama companies, I deem it wise to submit to the Congress all the information I have on the subject. These stories were first brought to my attention as published in a paper in Indianapolis, called "The News," edited by Mr. Delavan Smith. The stories were scurrilous and libelous in character and false in every essential particular. Mr. Smith shelters him-

PRESIDENT ROOSEVELT INSPECTING THE PANAMA CANAL

THE PANAMA CANAL

The commencement of the task of constructing the Panama Canal was the most important event of Roosevelt's Administration. The history of the undertaking is written by Roosevelt himself on pages 6664, 6718, 6806, 6827, 7021, 7100, 7231, 7268, 7287, 7305 and 7348. The message commencing on page 7685 describes his visit of inspection to the canal zone. President Taft continued the narrative, pages 7370, 7374, 7423, 7482 and 7518. The reader who desires a brief recital of the facts should refer to the article entitled "Panama Canal" in the Encyclopedic Index. The index references following this article will enable the reader to glean a complete and authentic knowledge of the subject from the messages of the Presidents, from Jackson to Wilson, who have discussed the project.

self behind the excuse that he merely accepted the statements which had appeared in a paper published in New York, "The World," owned by Mr. Joseph Pulitzer. It is idle to say that the known character of Mr. Pulitzer and his newspaper are such that the statements in that paper will be believed by nobody; unfortunately, thousands of persons are ill informed in this respect and believe the statements they see in print, even though they appear in a newspaper published by Mr. Pulitzer. A Member of Congress has actually introduced a resolution in reference to these charges. I therefore lay all the facts before you.

The story repeated at various times by the World and by its followers in the newspaper press is substantially as follows: That there was corruption by or on behalf of the Government of the United States in the transaction by which the Panama Canal property was acquired from its French owners; that there were improper dealings of some kind between agents of the Government and outside persons, representing or acting for an American syndicate, who had gotten possession of the French Company; that among these persons, who it was alleged made "huge profits," were Mr. Charles P. Taft, a brother of Mr. William H. Taft, then candidate for the Presidency, and Mr. Douglas Robinson, my brother-in-law; that Mr. Cromwell, the counsel for the Panama Canal Company in the negotiations, was in some way implicated with the United States governmental authorities in these improper transactions; that the Government has concealed the true facts, and has destroyed, or procured or agreed to the destruction of, certain documents; that Mr. W. H. Taft was Secretary of War at the time that by an agreement between the United States Government and the beneficiaries of the deal all traces thereof were "wiped out" by transferring all the archives and "secrets" to the American Government, just before holding the convention last June at which Mr. Taft was nominated.

These statements sometimes appeared in the editorials, sometimes in the news columns, sometimes in the shape of contributions from individuals either unknown or known to be of bad character. They are false in every particular from beginning to end. The wickedness of the slanders is only surpassed by their fatuity. So utterly baseless are the stories that apparently they represent in part merely material collected for campaign purposes and in part stories originally concocted with a view of possible blackmail. The inventor of the story about Mr. Charles P. Taft, for instance, evidently supposed that at some period of the Panama purchase Mr. W. H. Taft was Secretary of War, whereas in reality Mr. W. H. Taft never became Secretary of War until long after the whole transaction in question had been closed. The inventor of the story about Mr. Douglas Robinson had not taken the trouble to find out the fact that Mr. Robinson had not had the slightest connection, directly or indirectly, of any kind or sort with any phase of the Panama transaction from beginning to end. The men who attacked Mr. Root in the matter had not taken the trouble to read the public documents which would have informed them that Mr. Root had nothing to do with the purchase, which was entirely arranged through the Department of Justice under the then Attorney-General, Mr. Knox.

Now, these stories as a matter of fact need no investigation whatever. No shadow of proof has been, or can be, produced in behalf of any of them. They consist simply of a string of infamous libels. In form, they are in part libels upon individuals, upon Mr. Taft and Mr. Robinson, for instance. But they are in fact wholly, and in form partly, a libel upon the United States Government. I do not believe we should concern ourselves with the particular individuals who wrote the lying and libelous editorials, articles from correspondents, or articles in the news columns. The real offender is Mr. Joseph Pulitzer, editor and proprietor of the World. While the criminal offense of which Mr. Pulitzer has been guilty is in form a libel upon individuals, the great injury done is in blackening the good name of the American people. It should not be left to a private citizen to sue Mr. Pulitzer for libel. He should be prosecuted for libel by the governmental authorities. In point of encouragement of iniquity, in point of infamy, of wrongdoing, there is nothing to choose between a public servant who betrays his trust, a public servant who is guilty of blackmail, or theft, or financial dishonesty of any kind, and a man guilty as Mr. Joseph Pulitzer has been guilty in this instance. It is therefore a high national duty to bring to justice this vilifier of the American people, this man who wantonly and wickedly and without one shadow of justification seeks to blacken the character of reputable private citizens and to convict the Government of his own country in the eyes of the civilized world of wrongdoing of the basest and foulest kind, when he has not one shadow of justification of any sort or description for the charge he has made. The Attorney-General has under consideration the form in which the proceedings against Mr. Pulitzer shall be brought.

Meanwhile I submit to you all the accompanying papers, so that you may have before you complete information on the subject. I call your attention to my communications in my messages to the Congress of January 20, 1902, March 11, 1903, December 7, 1903, January 4, 1904, and December 17, 1906, in which I set forth at length the history of various phases of the whole transaction. I recall your attention to the report and opinion of the Attorney-General rendered to me, dated October 25, 1902, with the accompanying documents and exhibits. I call your attention to the correspondence of the officers and agents of the Panama Canal Company with the President and other officers of the United States printed in Senate Document No. 34, December 10, 1902; also to the copy of the official proceedings of the New Panama

Canal Company at Paris on the 30th of December, 1903, together with a report of the Council of Administration of that company, printed in Senate Document No. 133, January 28, 1904; and to the copy of the general conveyance by the New Panama Canal Company to the United States, also copies of certain telegrams from the president of the company making an offer of sale, and Attorney-General Knox's cablegram in response printed in Senate Document No. 285, March 23, 1906. I call your attention furthermore to the exhaustive testimony recorded in public document (Sen. Doc. No. 411, 59th Cong., 2nd sess.), which contains the searching investigation into the whole transaction made by the Congress for its information and fully considered by the Congress before it took action.

In the Act approved June 28, 1902, "To provide for the construction of a canal connecting the waters of the Atlantic and Pacific oceans," the Congress provided as follows:

> "That the President of the United States is hereby authorized to acquire, for and on behalf of the United States, at a cost not exceeding forty millions of dollars, the rights, privileges, franchises, concessions, grants of land, right of way, unfinished work, plants, and other property, real, personal, and mixed, of every name and nature, owned by the New Panama Canal Company, of France, on the Isthmus of Panama, and all its maps, plans, drawings, records on the Isthmus of Panama, and in Paris, including all the capital stock, not less, however, than sixty-eight thousand eight hundred and sixty-three shares of the Panama Railroad Company, owned by or held for the use of said Canal Company, provided a satisfactory title to all of said property can be obtained."

It thereupon became the duty of the President, in execution of this statute, to purchase the property specified from the New Panama Canal Company, of France, provided he could obtain a satisfactory title. The Department of Justice was instructed to examine the title, and after such an examination Attorney-General Knox reported that a satisfactory title could be obtained. Payment of the purchase price was thereupon made to the New Panama Canal Company, in accordance with the act of Congress, and the property was conveyed by that company to the United States. It was no concern of the President, or of any officer of the Executive Department, to inquire as to what the New Panama Canal Company did with the money which it received. As a matter of fact, the New Panama Canal Company did distribute the money between its shareholders and the shareholders of the preceding Panama Canal Company in accordance with the decree of a French court, and the records of the French court show who were the shareholders who received the money; but that is no concern of ours.

I call your attention to the accompanying statement as to the attempt to form an American company in 1899 for the purpose of taking over the property of the French company. This attempt proved abortive. There was no concealment in its effort to put through this plan; its complete failure and abandonment being known to everyone.

The important points set forth in the accompanying papers, and in the papers to which I have referred you, are as follows:

The investigation of the history, physical condition, and existing value of the enterprise by the Congress, resulting in the enactment of the law of 1902 authorizing the President to acquire the property for the sum of $40,000,000 upon securing a satisfactory title and thereupon to undertake the work of construction; the failure of the Americanization of the enterprise in 1899; the transmission by me to the Congress from time to time of full information and advice as to the relations of this Government to transit across the Isthmus and under the treaties, as to the negotiations and final acquisition of the title, and later as to the progress and condition of the work of construction; the previous authorization of the sale to the United States by the stockholders of the new company and their subsequent ratification; the examination and approval of the title by Mr. Knox; the arrangements for payment through J. P. Morgan & Company as the fiscal agents of this Government, and the payment accordingly at the Bank of France upon proper official receipts to the liquidators acting under the decree of the French court, the French governmental body having jurisdiction in the matter; and, finally, the subsequent apportionment and distribution of the fund to the creditors and stockholders of the two companies under that decree.

The Panama Canal transaction was actually carried through not by either the then Secretary of State, Mr. John Hay, or the then Secretary of War, Mr. Elihu Root, both of whom, however, were cognizant of all the essential features; but by the then Attorney-General, Mr. P. C. Knox, at present Senator from Pennsylvania. I directed or approved every action, and am responsible for all that was done in carrying out the will of the Congress; and the provisions of the law, enacted by Congress after exhaustive examination and discussion, were scrupulously complied with by the Executive. While the transaction was pending I saw Mr. Cromwell but two or three times, and my communications with him were limited to the exchange of purely formal courtesies. Secretary Hay occasionally saw him, in the same manner; I doubt whether Mr. Root held any conversation with him. The Attorney-General saw him frequently, as he was counsel for the Panama Company; their communications were official, as representing the two sides. I enclose copies of my correspondence with Mr. William Dudley Foulke, who first brought these scandalous stories to my attention, and with Senator Knox and Mr. Cromwell, to whom I wrote in response to the request of a gentleman who wished to know about the stockholders in the Panama Canal Company.

The title to the Panama Canal properties was vested in the New

Panama Canal Company of France, which was the legal owner thereof, and the old or so-called De Lesseps Company had a large equity therein. The title was not in a New Jersey company nor in any other American company, nor did this Government have any dealings with any American company throughout the affair.

The exact legal status, to the most minute detail, appears in the exhaustive opinion of Attorney-General Knox approving the title to be given to the United States, which clearly establishes that the only party dealt with was the New Panama Canal Company of France (with the concurrence of the liquidator of the old company) and not any American corporation or syndicate.

The action of the United States Government was, of course, wholly uninfluenced by, and had nothing whatever to do with, any question as to who were, or who had been, the security-holders of either the new or the old company. Who such security-holders were was not our affair. If, as a matter of fact, the Canal companies, either or both, had been owned by American citizens or by citizens of any other nationality, it would not have altered in the slightest degree the action taken by this Government. Our concern was to get the canal property which was owned by the French Company, and to see that the title was clear. Our transactions were carried on openly, and were published in detail, and we dealt solely (so far as the interests of the old Panama Company were concerned) with the liquidator appointed by the proper French governmental body, the Civil Tribunal of the Seine, and in accordance with the decree of this same tribunal, with the New Panama Canal Company, which also went into liquidation upon the sale to the United States. All our transactions were carried on openly, and were published in detail.

The distribution of our payment of $40,000,000 follows the award of arbitrators chosen by the new company and the liquidator, authorized by the decree of this same Civil Tribunal of the Seine, and providing for a determination of the proportionate division between the new and old companies. We paid the money through the New York banking house of Messrs. J. P. Morgan & Company, acting as fiscal agents of this Government, into the Bank of France in Paris. The receipts and accounts of our Treasury Department show the payment of the money into the Bank of France and account for the money being paid over to the liquidator appointed by the Civil Tribunal of the Seine and to the New Panama Canal Company of France, the proportion of the forty million dollars being 128,600,000 francs to the liquidator of the old company and 77,400,000 francs to the New Panama Canal Company of France in liquidation. In these payments we followed to the letter the decree of the governmental tribunal of France which had the authority to make such a decree, the Civil Tribunal of the Seine. We had neither desire nor authority to go behind this decree of this proper governmental body, as all the conflicting rights of the security-holders of both companies had been settled by the decree of said court by ratification of the arbitration which resulted in that division.

I wish to make as clear as possible, and as emphatic as possible, the statement that we did not have anything to do with the distribution of a dollar of the $40,000,000 we paid as regards any stockholder or bondholder of the French Companies, save that we followed out the award of the arbitrators appointed in accordance with the decree of the French court which had dealt with the subject in awarding a certain proportion to the old company and a certain proportion to the new company. Any question concerning the stockholders, bondholders, or other beneficiaries of the proceeds of sale was purely a question for the Civil Tribunal of the Seine, the French governmental body, with which this Nation had nothing whatever to do.

Under these circumstances there was not the slightest need for Mr. Cromwell to give any information on the subject of the companies for which he had been counsel. This Government has no concern with Mr. Cromwell's relation to these companies, or either of them, or with the amount of his professional compensation; it was not the affair of this Government to inquire who were the security-holders of the companies. Nevertheless, Mr. Cromwell, of his own accord, has submitted to me, together with a copy of his statement published on the 11th instant, and which I transmit herewith, a full list of the stockholders of the New Panama Canal Company of France on January 15, 1900 (numbering over 6,000), and a list of all stockholders who were present at a special meeting of the company held February 28, 1902, immediately after the cable offer of the company was made to the United States (January 9-11, 1902), to accept the appraisement of $40,000,000 made by the Isthmian Canal Commission, and to sell for said sum the Panama Canal, concessions, and other property, and the shares of the Panama Railroad Company. He has also furnished me a certified copy of the final report of the liquidator of the old company, which was filed on June 25th last and formally approved by the Civil Tribunal of the Seine, together with a summary account prepared and signed by said liquidator as late as the 24th ultimo. I also transmit a translation of the two resolutions, with the vote upon them, adopted at a meeting of the stockholders of the new company held on April 23, 1904, for the purpose of finally ratifying the sale.

All these documents I herewith transmit as a part of this message. It appears from them that the creditors of the old company number 226,296 parties who have received dividends out of the funds in the hands of the liquidator, who, in his letter, states that in this present month of December the second and last distribution to the creditors will be begun, and that the average dividend heretofore paid to each individual was 782 francs, or $156. No payment whatever was or will be made upon the stock of the old company, as it was worthless from the day De Lesseps failed, and this cuts out from consideration all misleading statements regarding a possible purchase by anybody of the stock of the old Panama Canal Company. It has not received, and will not receive, a penny. Even upon the bonded indebtedness the dividend, I am thus informed, will amount, in the aggregate, to only about ten per centum. It likewise plainly appears that this distribution by the liquidator of the old company has been openly conducted at his office in Paris, No. 50 Rue Etienne Marcel, where all the receipts, accounts, and records of his payments are on file.

The New Panama Canal Company of France is in liquidation. As the accompanying papers set forth, this liquidated company received as its proportion of the $40,000,000 the sum of 77,400,000 francs, and this amount was distributed by the liquidation in three payments through four leading banks of Paris, covering a period of the past four years, and to shareholders numbering about 6,000. Every step of the transaction was not only taken publicly, but was, contemporaneously therewith, advertised in the legal and financial papers of France, and the banks making the payments took proper receipts from all the parties to whom payments were made, as is customary in such cases.

The capital of the New Panama Canal Company of France was 65,000,000 francs, and the distribution thus made amounted to about 130 francs on each share of 100 francs. No dividends were paid during the ten years of the company's existence. It therefore resulted that the shareholders only recovered their original investment with annual interest of about three per cent.

The accounts and records of this liquidation which was concluded in June last, are on deposit with the Crédit Lyonnaise of Paris as a proper custodian of the same, appointed upon such liquidation. Recently a request was made by a private individual to inspect the records of these payments, but answer was made by the custodians that they saw no proper reason for granting such request by a stranger, and, inasmuch as there is not the slightest ground for suspicion of any bad faith in the transaction, it hardly seems worth while to make the request; but if the Congress desires, I have no doubt that on the request of our Ambassador in Paris, the lists of individuals will be shown him.

As a matter of fact, there is nothing whatever, in which this Government is interested, to investigate about this transaction. So far as this Government is concerned, every step of the slightest importance has been made public by its Executive, and every step taken in France has there been made public by the proper officials.

The Congress took the action it did take after the most minute and exhaustive examination and discussion, and the Executive carried out the direction of the Congress to the letter. Every act of this Government, every act for which this Government had the slightest responsibility, was in pursuance of the act of the Congress here, and following out the decree of the Civil Tribunal of the Seine in France.

Furthermore, through the entirely voluntary act of Mr. Cromwell, I am now able to present to you full information as to these actions in France with which this Government did not have any concern, and which are set forth in the accompanying papers.

It may be well to recall that the New Panama Canal Company of France did not itself propose or fix the figure $40,000,000 as the valuation of the canal and railroad properties. That sum was first fixed by our Isthmian Canal Commission in its reports to the Congress after two years of investigation and personal inspection of all the properties and work already done, whereby the properties and the work done were in detail appraised at that sum as their value to the United States. The French company steadily refused for over two years to make any offer whatever in answer to the many written requests of the Isthmian Canal Commission; and when its president did approach the question of price, it was on the basis of $109,000,000. Later, under conditions not necessary now to rehearse, the company, by cable, accepted the appraisement of $40,000,000 made by our Commission. This Government, therefore, acquired all the properties and concessions, both of canal and railroad, at its own valuation and price, the Congress approving the price, and authorizing the expenditure of the money, after the most exhaustive examination and discussion.

I transmit herewith lists of the documents in the possession of the Department of State, the Department of Justice, and the Department of War, so that, if the Congress sees fit, it may direct that they be printed. They are, and always have been, open to the examination of any Member of the Congress. There is no object in printing them, but there is also no objection to printing them, save that it is a useless expense.

I also transmit a list of the documents furnished by Mr. Cromwell.

THEODORE ROOSEVELT.

SPECIAL MESSAGE.

THE WHITE HOUSE, December 17, 1908.

To the Senate and House of Representatives:

The rapid increase of population in the national capital within recent years has greatly altered social conditions, necessitating changes in the machinery of its administration. Greater efficiency and a better provision for the protection of both the industrial and dependent classes are required.

Recognizing these needs, I have had a special report made to me on the affairs of the District of Columbia, which I transmit herewith. I cordially approve the recommendations in the report for the substitution of a single head or governor in place of three commissioners, the establishment of district or municipal departments in place of the existing bureaus, and the creation of a new department to be known as that of housing and labor. I ask your careful consideration of the entire report. Mr. Reynolds has rendered a great and disinterested service, for which our heartiest thanks are due him.

A single executive head would increase efficiency, determine responsibility, and eliminate delays and uncertainties inevitable under the present system. Municipal departments headed by commissioners to be appointed by the governor would yield the same advantage.

In the proposed scheme of reorganization the department of education should be coördinated with other city departments.

I especially urge that the proposed department of housing and labor be established. Poverty, disease, and crime are largely due to defects of social conditions and surroundings. The need of improved sanitary inspection of dwellings, rear alleys, and small shacks (such as, unhappily, still exist in Washington), and of stores, workshops, and factories should not be left to subordinate bureau chiefs, but should be brought under the direct control of a competent head of the above-named department.

An equally important public responsibility is the protection of the independent industrial class, which neither desires nor accepts charity, but whose members have often been led to misfortune, and even crime, through agencies licensed by the state, but defectively and inadequately supervised. Notable among these are pawnshops, loan and industrial insurance companies, and employment agencies. The supervision of these agencies is at present limited to the police. They should be under the direction of officials qualified to advance their efficiency and economic service to the public.

The above-named changes would vastly improve the efficiency of the District government, and would afford protection to its industrial and dependent classes which is imperatively needed.

I also transmit for the consideration of the Congress reports of the Committee on Building of Model Houses, which was appointed in accordance with the recommendation of Mr. Reynolds.

THEODORE ROOSEVELT.

SPECIAL MESSAGE.

THE WHITE HOUSE, February 15, 1909.

To the Senate and House of Representatives:

On January 25-26, 1909, there assembled in this city, on my invitation, a conference on the care of dependent children. To this conference there came from nearly every State in the Union men and women actively engaged in the care of dependent children, and they represented all the leading religious bodies.

The subject considered is one of high importance to the well-being of the nation. The Census Bureau reported in 1904 that there were in orphanages and children's homes about 93,000 dependent children. There are probably 50,000 more (the precise number never having been ascertained) in private homes, either on board or in adopted homes provided by the generosity of foster parents. In addition to these there were 25,000 children in institutions for juvenile delinquents.

Each of these children represents either a potential addition to the productive capacity and the enlightened citizenship of the nation, or, if allowed to suffer from neglect, a potential addition to the destructive forces of the community. The ranks of criminals and other enemies of society are recruited in an altogether undue proportion from children bereft of their natural homes and left without sufficient care.

The interests of the nation are involved in the welfare of this army of children no less than in our great material affairs.

Notwithstanding a wide diversity of views and methods represented in the conference, and notwithstanding the varying legislative enactments and policies of the States from which the members came, the conference, at the close of its sessions, unanimously adopted a series of declarations expressing the conclusions which they had reached. These constitute a wise, constructive, and progressive programme of child-caring work. If given full effect by the proper agencies, existing methods and practices in almost every community would be profoundly and advantageously modified.

More significant even than the contents of the declarations is the fact that they were adopted without dissenting vote and with every demonstration of hearty approval on the part of all present. They constitute a standard of accepted opinion by which each community should measure the adequacy of its existing methods and to which each community should seek to conform its legislation and its practice.

The keynote of the conference was expressed in these words:

> Home life is the highest and finest product of civilization. Children should not be deprived of it except for urgent and compelling reasons.

Surely poverty alone should not disrupt the home. Parents of good character suffering from temporary misfortune, and above all deserving mothers fairly well able to work but deprived of the support of the normal breadwinner, should be given such aid as may be necessary to enable them to maintain suitable homes for the rearing of their children. The widowed or deserted mother, if a good woman, willing to work and to do her best, should ordinarily be helped in such fashion as will enable her to bring up her children herself in their natural home. Children from unfit homes, and children who have no homes, who must be cared for by charitable agencies, should, so far as practicable, be cared for in families.

I transmit herewith for your information a copy of the conclusions reached by the conference, of which the following is a brief summary:

1. *Home care.*—Children of worthy parents or deserving mothers should, as a rule, be kept with their parents at home.
2. *Preventive work.*—The effort should be made to eradicate causes of dependency, such as disease and accident, and to substitute compensation and insurance for relief.
3. *Home finding.*—Homeless and neglected children, if normal, should be cared for in families, when practicable.
4. *Cottage system.*—Institutions should be on the cottage plan with small units, as far as possible.
5. *Incorporation.*—Agencies caring for dependent children should be incorporated, on approval of a suitable state board.
6. *State inspection.*—The State should inspect the work of all agencies which care for dependent children.
7. *Inspection of educational work.*—Educational work of institutions and agencies caring for dependent children should be supervised by state educational authorities.
8. *Facts and records.*—Complete histories of dependent children and their parents, based upon personal investigation and supervision, should be recorded for guidance of child-caring agencies.
9. *Physical care.*—Every needy child should receive the best medical and surgical attention, and be instructed in health and hygiene.
10. *Coöperation.*—Local child-caring agencies should coöperate and establish joint bureaus of information.
11. *Undesirable legislation.*—Prohibitive legislation against transfer of dependent children between States should be repealed.
12. *Permanent organization.*—A permanent organization for work along the lines of these resolutions is desirable.
13. *Federal children's bureau.*—Establishment of a federal children's bureau is desirable, and enactment of pending bill is earnestly recommended.
14. Suggests special message to Congress favoring federal children's bureau and other legislation applying above principles to District of Columbia and other federal territory.

While it is recognized that these conclusions can be given their fullest effect only by the action of the several States or communities concerned, or of their charitable agencies, the conference requested me, in section 14 of the conclusions, to send to you a message recommending federal action.

There are pending in both Houses of Congress bills for the establishment of a children's bureau, *i. e.*, Senate bill No. 8323 and House bill No. 24148. These provide for a children's bureau in the Department of the Interior, which

> shall investigate and report upon all matters pertaining to the welfare of children and child life, and shall especially investigate the questions of infant mortality, the birth rate, physical degeneracy, orphanage, juvenile delinquency and juvenile courts, desertion and illegitimacy, dangerous occupations, accidents and diseases of children of the working classes, employment, legislation affecting children in the several States and Territories, and such other facts as have a bearing upon the health, efficiency, character, and training of children.

One of the needs felt most acutely by the conference was that of accurate information concerning these questions relating to childhood. The National Government not only has the unquestioned right of research in such vital matters, but is the only agency which can effectively conduct such general inquiries as are needed for the benefit of all our citizens. In accordance with the unanimous request of the conference, I therefore most heartily urge your favorable action on these measures.

It is not only discreditable to us as a people that there is now no recognized and authoritative source of information upon these subjects relating to child life, but in the absence of such information as should be supplied by the Federal Government many abuses have gone unchecked; for public sentiment, with its great corrective power, can only be aroused by full knowledge of the facts. In addition to such information as the Census Bureau and other existing agencies of the Federal Government already provide, there remains much to be ascertained through lines of research not now authorized by law; and there should be correlation and dissemination of the knowledge obtained without any duplication of effort or interference with what is already being done. There are few things more vital to the welfare of the nation than accurate and dependable knowledge of the best methods of dealing with children, especially with those who are in one way or another handicapped by misfortune; and in the absence of such knowledge each community is left to work out its own problem without being able to learn of and profit by the success or failure of other communities along the same lines of endeavor. The bills for the establishment of the children's bureau are advocated not only by this conference, but by a large number of national organizations that are disinterestedly working for the welfare of children, and also by philanthropic, educational, and religious bodies in all parts of the country.

I further urge that such legislation be enacted as may be necessary in order to bring the laws and practices in regard to the care of dependent children in all federal territory into harmony with the other conclusions reached by the conference.

LEGISLATION FOR THE DISTRICT OF COLUMBIA.

Congress took a step in the direction of the conclusions of this conference in 1893, when, on the recommendation of the late Amos G. Warner, then superintendent of charities for the District of Columbia, the Board of Children's Guardians was created, with authority, among other things, to place children in family homes. That board has made commendable progress, and its work should be strengthened and extended.

I recommend legislation for the District of Columbia in accordance with the fifth, sixth, seventh, and eighth sections of the conclusions of the conference, as follows:

1. That the approval of the Board of Charities be required for the incorporation of all child-caring agencies, as well as amendments of the charter of any benevolent corporation which includes child-caring work, and that other than duly incorporated agencies be forbidden to engage in the care of needy children. This legislation is needed in order to insure the fitness and responsibility of those who propose to undertake the care of helpless children. Such laws have long been in satisfactory operation in several of the larger States of the Union.

2. That the Board of Charities, through its duly authorized agents, shall inspect the work of all agencies which care for dependent children, whether by institutional or by home-finding methods, and whether supported by public or private funds. The State has always jealously guarded the interests of children whose parents have been able to leave them property by requiring the appointment of a guardian, under bond, accountable directly to the courts, even though there be a competent surviving parent. Surely the interests of the child who is not only an orphan but penniless ought to be no less sacred than those of the more fortunate orphan who inherits property. If the protection of the Government is necessary in the one case, it is even more necessary in the other. If we are to require that only incorporated institutions shall be allowed to engage in this responsible work, it is necessary to provide for public inspection, lest the State should become the unconscious partner of those who either from ignorance or inefficiency are unsuited to deal with the problem.

3. That the education of children in orphan asylums and other similar institutions in the District of Columbia be under the supervision of the board of education, in order that these children may enjoy educational advantages equal to those of the other children. Normal school life comes next to normal home life in the process of securing the fullest development of the child.

4. That all agencies engaged in child-caring work in the District of Columbia be required by law to adopt adequate methods of investigation and make permanent records relative to children under their care, and to exercise faithful personal supervision over their wards until legally adopted or otherwise clearly beyond the need of further supervision; the forms and methods of such investigation, records, and supervision to be prescribed and enforced by the Board of Charities.

I deem such legislation as is herein recommended not only important for the welfare of the children immediately concerned, but important as setting an example of a high standard of child protection by the National Government to the several States of the Union, which should be able to look to the nation for leadership in such matters.

I herewith transmit a copy of the full text of the proceedings.

THEODORE ROOSEVELT.

SPECIAL MESSAGE.

THE WHITE HOUSE, January 23, 1907.

To the Senate and House of Representatives:

I call your attention to the great desirability of enacting legislation to help American shipping and American trade by encouraging the building and running of lines of large and swift steamers to South America and the Orient.

The urgent need of our country's making an effort to do something like its share of its own carrying trade on the ocean has been called to our attention in striking fashion by the experiences of Secretary Root on his recent South American tour. The result of these experiences he has set forth in his address before the Trans-Mississippi Commercial Congress, at Kansas City, Mo., on November 20 last, an address so important that it deserves the careful study of all public men.

The facts set forth by Mr. Root are striking, and they can not but arrest the attention of our people. The great continent to the south of us, which should be knit to us by the closest commercial ties, is hardly in direct commercial communication with us at all, its commercial relations being almost exclusively with Europe. Between all the principal South American ports and Europe lines of swift and commodious steamers, subsidized by their home governments, ply regularly. There is no such line of steamers between these ports and the United States. In consequence, our shipping in South American ports is almost a negligible quantity; for instance, in the year ending June 30, 1905, there entered the port of Rio de Janeiro over 3,000 steamers and sailing vessels from Europe, but from the United States no steamers and only seven sailing vessels, two of which were in distress. One prime reason for this state of things is the fact that those who now do business on the sea do business in a world not of natural competition, but of subsidized competition. State aid to steamship lines is as much a part of the commercial system of to-day as State employment of consuls to promote business. Our commercial competitors in Europe pay in the aggregate some twenty-five millions a year to their steamship lines—Great Britain paying nearly seven millions. Japan pays between three and four millions. By the proposed legislation the United States will still pay relatively less than any one of our competitors pay. Three years ago the Trans-Mississippi Congress formally set forth as axiomatic the statement that every ship is a missionary of trade, that steamship lines work for their own countries just as railroad lines work for their terminal points, and that it is as absurd for the United States to depend upon foreign ships to distribute its products as it would be for a department store to depend upon wagons of a competing house to deliver its goods. This statement is the literal truth.

Moreover, it must be remembered that American ships do not have to contend merely against the subsidization of their foreign competitors. The higher wages and the greater cost of maintenance of American officers and crews make it almost impossible for our people who do business on the ocean to compete on equal terms with foreign ships unless they are protected somewhat as their fellow-countrymen who do business on land are protected. We can not as a country afford to have the wages and the manner of life of our seamen cut down; and the only alternative, if we are to have seamen at all, is to offset the expense by giving some advantage to the ship itself.

The proposed law which has been introduced in Congress is in no sense experimental. It is based on the best and most successful precedents, as, for instance, on the recent Cunard contract with the British Government. As far as South America is concerned, its aim is to provide from the Atlantic and Pacific coasts better American lines to the great ports of South America than the present European lines. The South American Republics now see only our warships. Under this bill our trade friendship will be made evident to them. The bill proposes to build large-sized steamers of 16-knot speed. There are nearly 200 such steamships already in the world's foreign trade, and over three-fourths of them now draw subsidies—postal or admiralty or both. The bill will encourage our shipyards, which are almost as necessary to the national defense as battleships, and the efficiency of which depends in large measure upon their steady employment in large construction. The proposed bill is of importance to our Navy, because it gives a considerable fleet of auxiliary steamships, such as is now almost wholly lacking, and also provides for an effective naval reserve.

The bill provides for 14 steamships, subsidized to the extent of over a million and a half, from the Atlantic coast, all to run to South American ports. It provides on the Pacific coast for 22 steamers subsidized to the extent of two millions and a quarter, some of these to run to South America, most of them to Manila, Australia, and Asia. Be it remembered that while the ships will be owned on the coasts, the cargoes will largely be supplied by the interior, and that the bill will benefit the Mississippi Valley as much as it benefits the seaboard.

I have laid stress upon the benefit to be expected from our trade with South America. The lines to the Orient are also of vital importance. The commercial possibilities of the Pacific are unlimited, and for national reasons it is imperative that we should have direct and adequate communication by American lines with Hawaii and the Philippines. The existence of our present steamship lines on the Pacific is seriously threatened by the foreign subsidized lines. Our communications with the markets of Asia and with our own possessions in the Philippines, no less than our communications with Australia, should depend not upon foreign, but upon our own steamships. The Southwest and the Northwest should alike be served by these lines, and if this is done they will also give to the Mississippi Valley throughout its entire length the advantage of all trans-continental railways running to the Pacific coast. To fail to establish adequate lines on the Pacific is equivalent to proclaiming to the world that we have neither the ability nor the disposition to contend for our rightful share of the commerce of the Orient; nor yet to protect our interests in the Philippines. It would surely be discreditable for us to surrender to our commercial rivals the great commerce of the Orient, the great commerce we should have with South America, and even our own communications with Hawaii and the Philippines.

I earnestly hope for the enactment of some law like the bill in question.

THEODORE ROOSEVELT.

SPECIAL MESSAGE.

THE WHITE HOUSE, December 18, 1906.

To the Senate and House of Representatives:

I inclose herewith for your information the final report made to me personally by Secretary Metcalf on the situation affecting the Japanese in San Francisco. The report deals with three matters of controversy—first, the exclusion of the Japanese children from the San Francisco schools; second, the boycotting of Japanese restaurants, and third, acts of violence committed against the Japanese.

As to the first matter I call your especial attention to the very small number of Japanese children who attend school, to the testimony as to the brightness, cleanliness, and good behavior of these Japanese children in the schools, and to the fact that, owing to their being scattered throughout the city, the requirements for them all to go to one special school is impossible of fulfillment, and means that they can not have school facilities. Let me point out further that there would be no objection whatever to excluding from the schools any Japanese on the score of age. It is obviously not desirable that young men should go to school with children. The only point is the exclusion of the children themselves. The number of Japanese children attending the public schools in San Francisco was very small. The Government has already directed that suit be brought to test the constitutionality of the act in question, but my very earnest hope is that such suit will not be necessary, and that as a matter of comity the citizens of San Francisco will refuse to deprive these young Japanese children of education and will permit them to go to the schools.

The question as to the violence against the Japanese is most admirably put by Secretary Metcalf, and I have nothing to add to his statement. I am entirely confident that, as Secretary Metcalf says, the overwhelming sentiment of the State of California is for law and order and for the protection of the Japanese in their persons and property. Both the chief of police and the acting mayor of San Francisco assured Secretary Metcalf that everything possible would be done to protect the Japanese in the city. I authorized and directed Secretary Metcalf to state that if there was failure to protect persons and property, then the entire power of the Federal Government within the limits of the Constitution would be used promptly and vigorously to enforce the observance of our treaty, the supreme law of the land, which treaty guaranteed to Japanese residents everywhere in the Union full and perfect protection for their persons and property; and to this end everything in my power would be done, and all the forces of the United States, both civil and military, which I could lawfully employ, would be employed. I call especial attention to the concluding sentence of Secretary Metcalf's report of November 26, 1906.

THEODORE ROOSEVELT.

SPECIAL MESSAGE.

THE WHITE HOUSE, January 8, 1906.

To the Senate and House of Representatives:

I transmit herewith a report by the Secretary of State resubmitting the claim, which was not acted upon by the Fifty-eighth Congress, of

Messrs. Sivewright, Bacon & Co., for damages sustained by their vessel, the British steamship *Eastry,* in consequence of collisions at Manila in June, 1901, with certain coal hulks belonging to this Government.

I renew the recommendation which I made to the Congress on January 19, 1903, that, as an act of equity and comity, provision be made for reimbursement to the firm of the money expended by it in making the repairs to the ship which the collisions rendered necessary.

THEODORE ROOSEVELT.

QUESTIONS.

1. How many times have Federal inheritance taxes been imposed, and what Presidents have recommended them? Pages 7043, 7083.
2. Upon what ground did Roosevelt claim Government control of trusts? Page 6648.
3. Why should business engaged in interstate commerce be compelled to incorporate under Federal laws, instead of under State laws? Page 7074.
4. What was the cause of the miscarriage of justice in the case of the beef packers? Page 7921.
5. What was the attitude of the courts toward the employers' liability law of 1906? Page 7216.
6. What unsatisfactory results often attend the setting aside of judgments on trivial technicalities? Page 7026.
7. For what corrupt practices of United States Attorneys and other Government officials are there no punishments prescribed? Page 7003.
8. What are the duties of an officer or employee of the Government in relation to information gained by reason of his official position? Page 7003.
9. What was the basis of the attack on the judiciary by organized labor? Page 7209.
10. What educational advantages are possessed by the Department of Agriculture? Pages 6655, 6905.
11. What was Roosevelt's analysis of anarchy and anarchists in America? Page 6643.
12. Under what process of law is the union label protected by trade unions? Page 7213.
13. What important step did Roosevelt urge toward prohibiting child labor throughout the nation? Page 7036, 7342.
14. When were trade unions recognized by law and their rights established legally? Page 7345.

SUGGESTIONS.

The regulation of the trusts and the question of Federal control as against State control occupied a large part of Roosevelt's attention. Page 6975. (See also Trusts, Encyclopedic Index.)

It is interesting to read Roosevelt's view as to the inadequacy of the control of the judiciary over interstate commerce. Page 7194.

Among the many progressive measures brought about by Roosevelt was the Parcel Post. Pages 7102, 7227. (See also Parcel Post, Encyclopedic Index.)

Roosevelt recommended and agitated also the creation of the Postal Savings Bank, which became a reality during the administration of his successor. Pages 7102, 7226.

One of the most important accomplishments by Roosevelt was that of sending the battle fleet around the world in 1907. Page 7237. (See also Cruise of the Battle-Fleet, Encyclopedic Index.)

Roosevelt brought about general public interest in conservation of natural resources. Pages 6658, 6801, 6908, 7094, 7258, 7267. (See also Conservation Commission, Encyclopedic Index.)

Read Roosevelt's Foreign Policy. Pages 6921, 7230.

NOTE.

For further suggestions on Roosevelt's administration see Roosevelt, Theodore, Encyclopedic Index.

By reading the Foreign Policy of each President, and by scanning the messages as to the state of the nation, a thorough knowledge of the history of the United States will be acquired from the most authentic sources; because, as has been said, "Each President reviews the past, depicts the present and forecasts the future of the nation."

William Howard Taft

March 4, 1909, to March 4, 1913

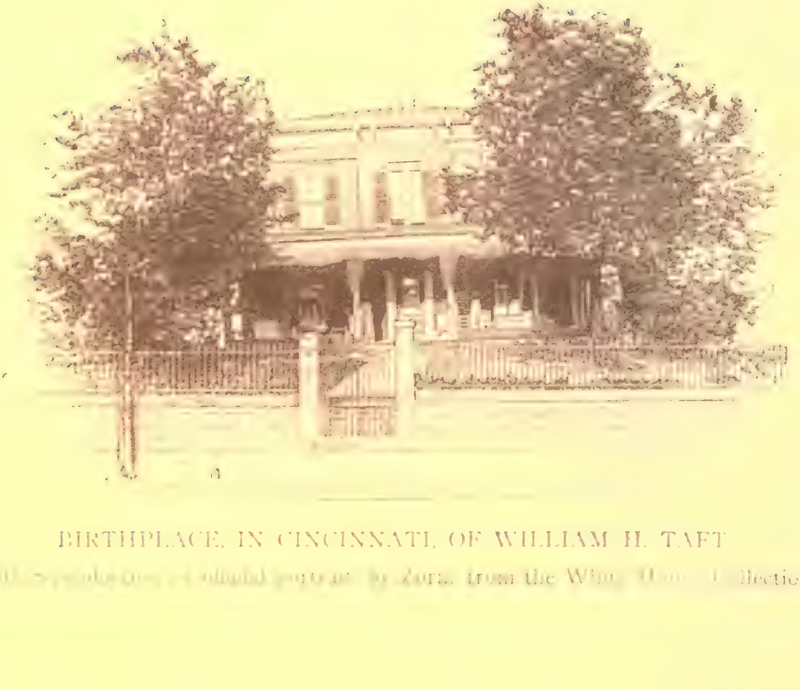
Messages, Proclamations, Executive Orders, and Communications to Congress

SEE ENCYCLOPEDIC INDEX.

The Encyclopedic Index is not only an index to the other volumes, not only a key that unlocks the treasures of the entire publication, but it is in itself an alphabetically arranged brief history or story of the great controlling events constituting the History of the United States.

Under its proper alphabetical classification the story is told of every great subject referred to by any of the Presidents in their official Messages, and at the end of each article the official utterances of the Presidents themselves are cited upon the subject, so that you may readily turn to the page in the body of the work itself for this original information.

Next to the possession of knowledge is the ability to turn at will to where knowledge is to be found.



BIRTHPLACE, IN CINCINNATI, OF WILLIAM H. TAFT

(With reproduction of colored portrait by Zorn from the White House Collection

Wm H Taft

TAFT

The administration of President Taft was cast in a time of most intense and increasing public unrest. The people, aroused to a realization of certain civic and political evils, demanded many vital changes in the very framework of our government. From the moorings of secure conservatism they became swept into the maelstrom of radicalism. Amid the bitterness of strife the President ever stood serene and commanding, holding the course between dangerous reaction on the one hand and unreasoning clamor on the other. Unmoved by temporary gusts of passion, he consulted only his own standards of honor and conscience.

He brought to the Presidency an accumulation of knowledge and breadth of vision acquired only by the widest experience and the most intimate acquaintance with the problems of this and other nations. Service as judge of the superior court of Cincinnati, solicitor general of the United States and federal judge had taught him the greatest respect for law and its orderly enforcement.

But he was no less impressed with the necessity for the most complete reform of our methods of judicial procedure. He was one of the first to realize that if we are to have respect for the law we must make its administration both swift and certain. He early inveighed against the apotheosis of technicalities which have been so marked a menace to the enforcement of our criminal law. Also he constantly opposed the unlimited rights of appeal which in this country have tended to make justice both slothful and uncertain. These reforms, suggested by his wide legal experience, he has consistently urged since his elevation to the Presidency.

In 1900, he was sent to the far East as President of the Philippine Commission, to blaze a trail new to all Americans—the government of a petulant and troubled insular possession, peopled by those who knew nothing of American customs and institutions. The difficulty of the problem with which he was confronted has never been appreciated. The precedents of Spanish tyranny and selfishness offered no suggestion for its solution. From distrust and disorder he brought confidence and stability.

From this office he graduated in 1904 to the cabinet of President Roosevelt, serving as secretary of war. Twice called to Cuba to quell insurrection, he combined the tact of a diplomat with the equity of a pacificator. Here too he had control of the world's most stupendous work—the Panama Canal. His name will always be associated most intimately with the fruition of this dream of the centuries from the days of the Spanish main to our own times.

Thus Mr. Taft entered the Presidency schooled by a varied experience which gave him a specific knowledge of the different branches of our government as well as an intimate acquaintance with international problems. He coupled with a judicial temperament a remarkable gift for administrative management. To these he added an enormous capacity for work and a saving fund of kindly humor. Strong of hand, he was also gentle of heart.

The administration of President Taft soon justified the prediction founded upon his long career of public service in the most varied fields. The deep dominant notes of his term were courage and honesty. He espoused causes, never because they were popular, but because they were just. He enforced the statutory laws against both the rich and the powerful, indifferent alike to the threats of reprisal and the pleadings of excuse. The Sherman anti-trust law he made into a most powerful weapon of offense. He ever insisted that none are too powerful to fear the law and none too weak to be denied its protection. He revealed that guilt is concrete, and not abstract; that it is definite, and not indefinite; that it is personal, and not impersonal. Civil prosecutions, long unheeded, were replaced by criminal prosecutions for those who ignored the statutes on our books.

He advocated courageously the principles of non-partizanship. In his appointments to high office he considered ability only, not party loyalty nor sectional prejudices. He sought the greatest reform in our tariff administration—its removal from the influences of party politics. By the assistance of men of special training and experience he sought to relieve the business world from the recurring periods of depression and optimism so hostile to prosperity.

A power among the nations of the world, President Taft believed in the future of universal good will and international peace. This was but characteristic of the man. It was indicated by his desire to inaugurate a period of broader and more intimate trade relations with our neighboring countries. And, too, it was manifested by his ardent espousal of the cause of international peace as formulated in the proposed treaties of arbitration with England and France. In these he saw not merely a saving of millions of dollars of taxes annually, but also the protection of individual life and property from the devastation and cruelties of war.

Loyal to the highest standards of honor, with a genial and attractive personality, faithful to friends and just to opponents—President Taft combined the most admirable of personal traits. Fearless of criticism, with an instinctive faith in the American people even in the days of partizan bitterness, he confidently trusted his own fame to the ultimate and more correct verdict of an impartial posterity.

Theodore E. Burton

HELEN HERRON TAFT

HELEN HERRON, the daughter of Mr. and Mrs. John W. Herron, was born in Cincinnati in 1863. She was educated in that city, and later taught school there for a year. As a girl of sixteen, she paid a visit of several weeks to the White House, where she was the guest of President and Mrs. Garfield. The enthusiastic visitor was entranced with the life in the Executive Mansion, and is reported to have said to her friends on her return to Cincinnati that she would never marry a man who would not some day make her mistress of the White House. Certainly she discerned the elements of greatness in William Howard Taft, whom she married in June, 1886; and for whose pre-eminence in American life her husband constantly made her largely responsible. In his lengthy trips while Civil-Governor of the Philippines, and in his later activities as Secretary of War, Mrs. Taft was seldom absent from her husband's side; and many of the cares of the Presidential office were lightened by her thoughtful devotion and stimulating comradeship. As hostess of the White House, Mrs. Taft achieved a rare reputation for charm and graciousness. Always a music lover, her receptions and entertainments became proverbial synonyms for delight in Washington; although the home-life of the Taft family, in which their three children—Helen, Robert and Charles—joined, was never slighted.

WILLIAM HOWARD TAFT

WILLIAM HOWARD TAFT, of Cincinnati, Ohio, was born in Cincinnati, Hamilton County, Ohio, September 15, 1857; was graduated in 1874 from Woodward High School; graduated from Yale University in 1878; graduated in law from Cincinnati College in 1880, in which year he was admitted to the bar of the Supreme Court of Ohio; appointed assistant prosecuting attorney in 1881; resigned in 1882 to become collector of internal revenue, first district of Ohio, under President Arthur; resigned collectorship in 1883 to enter the practice of law; in 1887 was appointed by Governor Foraker Judge of the Superior Court of Cincinnati; resigned in 1890 to become Solicitor-General of the United States under appointment of President Harrison; resigned in 1892 to become United States Circuit Judge for the Sixth Judicial Circuit; in 1896 became professor and dean of the law department of the University of Cincinnati; resigned in 1900 the circuit judgeship and deanship to become, by appointment of President McKinley, president of the United States Philippine Commission; in 1901, by appointment of President McKinley, became first Civil Governor of the Philippine Islands; was appointed Secretary of War by President Roosevelt February 1, 1904.

Nominated at Chicago on June 18, 1908, as Republican candidate for the Presidency, and was elected at the Presidential election following.

On the 10th of February, 1909, by a joint session of the Senate and the House of Representatives, the electoral vote was counted, which resulted in 321 votes for W. H. Taft and 162 votes for W. J. Bryan, giving Mr. Taft a majority of 159 votes.

He was duly inaugurated President of the United States on March 4, 1909.

INAUGURAL ADDRESS

March 4, 1909.

MY FELLOW CITIZENS:

Anyone who has taken the oath I have just taken must feel a heavy weight of responsibility. If not, he has no conception of the powers and duties of the office upon which he is about to enter, or he is lacking in a proper sense of the obligation which the oath imposes.

The office of an inaugural address is to give a summary outline of the main policies of the new administration, so far as they can be anticipated. I have had the honor to be one of the advisers of my distinguished predecessor, and, as such, to hold up his hands in the reforms he has initiated. I should be untrue to myself, to my promises, and to the declarations of the party platform upon which I was elected to office, if I did not make the maintenance and enforcement of those reforms a most important feature of my administration. They were directed to the suppression of the lawlessness and abuses of power of the great combinations of capital invested in railroads and in industrial enterprises carrying on interstate commerce. The steps which my predecessor took and the legislation passed on his recommendation have accomplished much, have caused a general halt in the vicious policies which created popular alarm, and have brought about in the business affected a much higher regard for existing law.

To render the reforms lasting, however, and to secure at the same time freedom from alarm on the part of those pursuing proper and progressive business methods, further legislative and executive action are needed. Relief of the railroads from certain restrictions of the antitrust law have been urged by my predecessor and will be urged by me. On the other hand, the administration is pledged to legislation looking to a proper federal supervision and restriction to prevent excessive issues of bonds and stocks by companies owning and operating interstate-commerce railroads.

Then, too, a reorganization of the Department of Justice, of the Bureau of Corporations in the Department of Commerce and Labor, and of the Interstate Commerce Commission, looking to effective coöperation of these agencies, is needed to secure a more rapid and certain enforcement of the laws affecting interstate railroads and industrial combinations.

I hope to be able to submit at the first regular session of the incoming Congress, in December next, definite suggestions in respect to the needed amendments to the antitrust and the interstate commerce law and the changes required in the executive departments concerned in their enforcement.

It is believed that with the changes to be recommended American business can be assured of that measure of stability and certainty in respect to those things that may be done and those that are prohibited which is essential to the life and growth of all business. Such a plan must include the right of the people to avail themselves of those methods of combining capital and effort deemed necessary to reach the highest degree of economic efficiency, at the same time differentiating between combinations based upon legitimate economic reasons and those formed with the intent of creating monopolies and artificially controlling prices.

The work of formulating into practical shape such changes is creative work of the highest order, and requires all the deliberation possible in the interval. I believe that the amendments to be proposed are just as necessary in the protection of legitimate business as in the clinching of the reforms which properly bear the name of my predecessor.

A matter of most pressing importance is the revision of the tariff. In accordance with the promises of the platform upon which I was elected, I shall call Congress into extra session to meet on the 15th day of March, in order that consideration may be at once given to a bill revising the Dingley Act. This should secure an adequate revenue and adjust the duties in such a manner as to afford to labor and to all industries in this country, whether of the farm, mine or factory, protection by tariff equal to the difference between the cost of production abroad and the cost of production here, and have a provision which shall put into force, upon executive determination of certain facts, a higher or maximum tariff against those countries whose trade policy toward us equitably requires such discrimination. It is thought that there has been such a change in conditions since the enactment of the Dingley Act, drafted on a similarly protective principle, that the measure of the tariff above stated will permit the reduction of rates in certain schedules and will require the advancement of few, if any.

The proposal to revise the tariff made in such an authoritative way as to lead the business community to count upon it necessarily halts all those branches of business directly affected; and as these are most important, it disturbs the whole business of the country. It is imperatively necessary, therefore, that a tariff bill be drawn in good faith in accordance with promises made before the election by the party in power, and as promptly passed as due consideration will permit. It is not that the tariff is more important in the long run than the perfecting of the reforms in respect to antitrust legislation and interstate commerce regulation, but the need for action when the revision of the tariff has been determined upon is more immediate to avoid embarrassment of business. To secure the needed speed in the passage of the tariff bill, it would seem wise to attempt no other legislation at the extra session. I venture this as a suggestion only, for the course to be taken by Congress, upon the call of the Executive, is wholly within its discretion.

In the making of a tariff bill the prime motive is taxation and the securing thereby of a revenue. Due largely to the business depression which followed the financial panic of 1907, the revenue from customs and other sources has decreased to such an extent that the expenditures for the current fiscal year will exceed the receipts by $100,000,000. It is imperative that such a deficit shall not continue, and the framers of the tariff bill must, of course, have in mind the total revenues likely to be produced by it and so arrange the duties as to secure an adequate income. Should it be impossible to do so by import duties, new kinds of taxation must be adopted, and among these I recommend a graduated inheritance tax as correct in principle and as certain and easy of collection.

The obligation on the part of those responsible for the expenditures made to carry on the Government, to be as economical as possible, and to make the burden of taxation as light as possible, is plain, and should be affirmed in every declaration of government policy. This is especially true when we are face to face with a heavy deficit. But when the desire to win the popular approval leads to the cutting off of expenditures really needed to make the Government effective and to enable it to accomplish its proper objects, the result is as much to be condemned as the waste of government funds in unnecessary expenditure. The scope of a modern government in what it can and ought to accomplish for its people has been widened far beyond the principles laid down by the old "laissez faire" school of political writers, and this widening has met popular approval.

In the Department of Agriculture the use of scientific experiments on a large scale and the spread of information derived from them for the improvement of general agriculture must go on.

The importance of supervising business of great railways and industrial combinations and the necessary investigation and prosecution of unlawful business methods are another necessary tax upon Government which did not exist half a century ago.

The putting into force of laws which shall secure the conservation of our resources, so far as they may be within the jurisdiction of the Federal Government, including the most important work of saving and restoring our forests and the great improvement of waterways, are all proper government functions which must involve large expenditure if properly performed. While some of them, like the reclamation of arid lands, are made to pay for themselves, others are of such an indirect benefit that this cannot be expected of them. A permanent improvement, like the Panama Canal, should be treated as a distinct enterprise, and should be paid for by the proceeds of bonds, the issue of which will distribute its cost between the present and future generations in accordance with the benefits derived. It may well be submitted to the serious consideration of Congress whether the deepening and control of the channel of a great river system, like that of the Ohio or of the Mississippi, when definite and practical plans for the enterprise have been approved and determined upon, should not be provided for in the same way.

Then, too, there are expenditures of Government absolutely necessary if our country is to maintain its proper place among the nations of the world, and is to exercise its proper influence in defense of its own trade interests in the maintenance of traditional American policy against the colonization of European monarchies in this hemisphere, and in the promotion of peace and international morality. I refer to the cost of maintaining a proper army, a proper navy, and suitable fortifications upon the mainland of the United States and in its dependencies.

We should have an army so organized and so officered as to be capable in time of emergency, in cooperation with the national militia and under the provisions of a proper national volunteer law, rapidly to expand into a force sufficient to resist all probable invasion from abroad and to furnish a respectable expeditionary force if necessary in the maintenance of our traditional American policy which bears the name of President Monroe.

Our fortifications are yet in a state of only partial completeness, and the number of men to man them is insufficient. In a few years however, the usual annual appropriations for our coast defenses, both on the mainland and in the dependencies, will make them sufficient to resist all direct attack, and by that time we may hope that the men to man them will be provided as a necessary adjunct. The distance of our shores from Europe and Asia of course reduces the necessity for maintaining under arms a great army, but it does not take away the requirement of mere prudence—that we should have an army sufficiently large and so constituted as to form a nucleus out of which a suitable force can quickly grow.

What has been said of the army may be affirmed in even a more emphatic way of the navy. A modern navy can not be improvised. It must be built and in existence when the emergency arises which calls for its use and operation. My distinguished predecessor has in many speeches and messages set out with great force and striking language the necessity for maintaining a strong navy commensurate with the coast line, the governmental resources, and the foreign trade of our Nation; and I wish to reiterate all the reasons which he has presented in favor of the policy of maintaining a strong navy as the best conservator of our peace with other nations, and the best means of securing respect for the assertion of our rights, the defense of our interests, and the exercise of our influence in international matters.

Our international policy is always to promote peace. We shall enter into any war with a full consciousness of the awful consequences that it always entails, whether successful or not, and we, of course, shall make every effort consistent with national honor and the highest national interest to avoid a resort to arms. We favor every instrumentality, like that of the Hague Tribunal and arbitration treaties made with a view to its use in all international controversies, in order to maintain peace and to avoid war. But we should be blind to existing conditions and should allow ourselves to become foolish idealists if we did not realize that, with all the nations of the world armed and prepared for war, we must be ourselves in a similar condition, in order to prevent other nations from taking advantage of us and of our inability to defend our interests and assert our rights with a strong hand.

In the international controversies that are likely to arise in the Orient growing out of the question of the open door and other issues the United States can maintain her interests intact and can secure respect for her just demands. She will not be able to do so, however, if it is understood that she never intends to back up her assertion of right and her defense of her interest by anything but mere verbal protest and diplomatic note. For these reasons the expenses of the army and navy and of coast defenses should always be considered as something which the Government must pay for, and they should not be cut off through mere consideration of economy. Our Government is able to afford a suitable army and a suitable navy. It may maintain them without the slightest danger to the Republic or the cause of free institutions, and fear of additional taxation ought not to change a proper policy in this regard.

The policy of the United States in the Spanish war and since has given it a position of influence among the nations that it never had before, and should be constantly exerted to securing to its bona fide citizens, whether native or naturalized, respect for them as such in foreign countries. We should make every effort to prevent humiliating and degrading prohibition against any of our citizens wishing temporarily to sojourn in foreign countries because of race or religion.

The admission of Asiatic immigrants who cannot be amalgamated with our population has been made the subject either of prohibitory clauses in our treaties and statutes or of strict administrative regulation secured by diplomatic negotiation. I sincerely hope that we may continue to minimize the evils likely to arise from such immigration without unnecessary friction and by mutual concessions between self-respecting governments. Meantime we must take every precaution to prevent, or failing that, to punish outbursts of race feeling among our people against foreigners of whatever nationality who have by our grant a treaty right to pursue lawful business here and to be protected against lawless assault or injury.

This leads me to point out a serious defect in the present federal jurisdiction, which ought to be remedied at once. Having assured to other countries by treaty the protection of our laws for such of their subjects or citizens as we permit to come within our jurisdiction, we now leave to a state or a city, not under the control of the Federal Government, the duty of performing our international obligations in this respect. By proper legislation we may, and ought to, place in the hands of the Federal Executive the means of enforcing the treaty rights of such aliens in the courts of the Federal Government. It puts our Government in a pusillanimous position to make definite engagements to protect aliens and then to excuse the failure to perform those engagements by an explanation that the duty to keep them is in States or cities, not within our control. If we would promise we must put ourselves in a position to perform our promise. We cannot permit the possible failure of justice, due to local prejudice in any State or municipal government, to expose us to the risk of a war which might be avoided if federal jurisdiction was asserted by suitable legislation by Congress and carried out by proper proceedings instituted by the Executive in the courts of the National Government.

One of the reforms to be carried out during the incoming administration is a change of our monetary and banking laws, so as to secure greater elasticity in the forms of currency available for trade and to prevent the limitations of law from operating to increase the embarrassment of a financial panic. The monetary commission, lately appointed, is giving full consideration to existing conditions and to all proposed remedies, and will doubtless suggest one that will meet the requirements of business and of public interest.

We may hope that the report will embody neither the narrow view of those who believe that the sole purpose of the new system should be to secure a large return on banking capital or of those who would have greater expansion of currency with little regard to provisions for its immediate redemption or ultimate security. There is no subject of economic discussion so intricate and so likely to evoke differing views and dogmatic statements as this one. The commission, in studying the general influence of currency on business and of business on currency, have wisely extended their investigations in European banking and monetary methods. The information that they have derived from such experts as they have found abroad will undoubtedly be found helpful in the solution of the difficult problem they have in hand.

The incoming Congress should promptly fulfill the promise of the Republican platform and pass a proper postal savings bank bill. It will not be unwise or excessive paternalism. The promise to repay by the

Government will furnish an inducement to savings deposits which private enterprise can not supply and at such a low rate of interest as not to withdraw custom from existing banks. It will substantially increase the funds available for investment as capital in useful enterprises. It will furnish absolute security which makes the proposed scheme of government guaranty of deposits so alluring, without its pernicious results.

I sincerely hope that the incoming Congress will be alive, as it should be, to the importance of our foreign trade and of encouraging it in every way feasible. The possibility of increasing this trade in the Orient, in the Philippines, and in South America are known to everyone who has given the matter attention. The direct effect of free trade between this country and the Philippines will be marked upon our sales of cottons, agricultural machinery, and other manufactures. The necessity of the establishment of direct lines of steamers between North and South America has been brought to the attention of Congress by my predecessor and by Mr. Root before and after his noteworthy visit to that continent, and I sincerely hope that Congress may be induced to see the wisdom of a tentative effort to establish such lines by the use of mail subsidies.

The importance of the part which the Departments of Agriculture and of Commerce and Labor may play in ridding the markets of Europe of prohibitions and discriminations against the importation of our products is fully understood, and it is hoped that the use of the maximum and minimum feature of our tariff law to be soon passed will be effective to remove many of those restrictions.

The Panama Canal will have a most important bearing upon the trade between the eastern and the far western sections of our country, and will greatly increase the facilities for transportation between the eastern and the western seaboard, and may possibly revolutionize the transcontinental rates with respect to bulky merchandise. It will also have a most beneficial effect to increase the trade between the eastern seaboard of the United States and the western coast of South America, and, indeed, with some of the important ports on the east coast of South America reached by rail from the west coast.

The work on the canal is making most satisfactory progress. The type of the canal as a lock canal was fixed by Congress after a full consideration of the conflicting reports of the majority and minority of the consulting board, and after the recommendation of the War Department and the Executive upon those reports. Recent suggestion that something had occurred on the Isthmus to make the lock type of the canal less feasible than it was supposed to be when the reports were made and the policy determined on led to a visit to the Isthmus of a board of competent engineers to examine the Gatun dam and locks, which are the key of the lock type. The report of that board shows nothing has occurred in the nature of newly revealed evidence which should change the views once formed in the original discussion. The construction will go on under a most effective organization controlled by Colonel Goethals and his fellow army engineers associated with him, and will certainly be completed early in the next administration, if not before.

Some type of canal must be constructed. The lock type has been selected. We are all in favor of having it built as promptly as possible. We must not now, therefore, keep up a fire in the rear of the agents whom we have authorized to do our work on the Isthmus. We must hold up their hands, and speaking for the incoming administration I wish to say that I propose to devote all the energy possible and under my control to pushing of this work on the plans which have been adopted, and to stand behind the men who are doing faithful, hard work to bring about the early completion of this, the greatest constructive enterprise of modern times.

The governments of our dependencies in Porto Rico and the Philippines are progressing as favorably as could be desired. The prosperity of Porto Rico continues unabated. The business conditions in the Philippines are not all that we could wish them to be, but with the passage of the new tariff bill permitting free trade between the United States and the archipelago, with such limitations on sugar and tobacco as shall prevent injury to domestic interests in those products, we can count on an improvement in business conditions in the Philippines and the development of a mutually profitable trade between this country and the islands. Meantime our Government in each dependency is upholding the traditions of civil liberty and increasing popular control which might be expected under American auspices. The work which we are doing there redounds to our credit as a nation.

I look forward with hope to increasing the already good feeling between the South and the other sections of the country. My chief purpose is not to effect a change in the electoral vote of the Southern States. That is a secondary consideration. What I look forward to is an increase in the tolerance of political views of all kinds and their advocacy throughout the South, and the existence of a respectable political opposition in every State; even more than this, to an increased feeling on the part of all the people in the South that this Government is their Government, and that its officers in their states are their officers.

The consideration of this question can not, however, be complete and full without reference to the negro race, its progress and its present condition. The thirteenth amendment secured them freedom; the fourteenth amendment due process of law, protection of property, and the pursuit of happiness; and the fifteenth amendment attempted to secure the negro against any deprivation of the privilege to vote because he was a negro. The thirteenth and fourteenth amendments have been generally enforced and have secured the objects for which they are intended. While the fifteenth amendment has not been generally observed in the past, it ought to be observed, and the tendency of Southern legislation today is toward the enactment of electoral qualifications which shall square with that amendment. Of course, the mere adoption of a constitutional law is only one step in the right direction. It must be fairly and justly enforced as well. In time both will come. Hence it is clear to all that the domination of an ignorant, irresponsible element can be prevented by constitutional laws which shall exclude from voting both negroes and whites not having education or other qualifications thought to be necessary for a proper electorate. The danger of the control of an ignorant electorate has therefore passed. With this change, the interest which many of the Southern white citizens take in the welfare of the negroes has increased. The colored men must base their hope on the results of their own industry, self-restraint, thrift, and business success, as well as upon the aid and comfort and sympathy which they may receive from their white neighbors of the South.

There was a time when Northerners who sympathized with the negro in his necessary struggle for better conditions sought to give him the suffrage as a protection to enforce its exercise against the prevailing sentiment of the South. The movement proved to be a failure. What remains is the fifteenth amendment to the Constitution and the right to have statutes of States specifying qualifications for electors subjected to the test of compliance with that amendment. This is a great protection to the negro. It never will be repealed, and it never ought to be repealed. If it had not passed, it might be difficult now to adopt it; but with it in our fundamental law, the policy of Southern legislation must and will tend to obey it, and so long as the statutes of the States meet the test of this amendment and are not otherwise in conflict with the Constitution and laws of the United States, it is not the disposition or within the province of the Federal Government to interfere with the regulation by Southern States of their domestic affairs. There is in the South a stronger feeling than ever among the intelligent well-to-do, and influential element in favor of the industrial education of the negro and the encouragement of the race to make themselves useful members of the community. The progress which the negro has made in the last fifty years, from slavery, when its statistics are reviewed, is marvelous, and it furnishes every reason to hope that in the next twenty-five years a still greater improvement in his condition as a productive member of society, on the farm, and in the shop, and in other occupations may come.

The negroes are now Americans. Their ancestors came here years ago against their will, and this is their only country and their only flag. They have shown themselves anxious to live for it and to die for it. Encountering the race feeling against them, subjected at times to cruel injustice growing out of it, they may well have our profound sympathy and aid in the struggle they are making. We are charged with the sacred duty of making their path as smooth and easy as we can. Any recognition of their distinguished men, any appointment to office from among their number, is properly taken as an encouragement and an appreciation of their progress, and this just policy should be pursued when suitable occasion offers.

But it may well admit of doubt whether, in the case of any race, an appointment of one of their number to a local office in a community in which the race feeling is so widespread and acute as to interfere with the ease and facility with which the local government business can be done by the appointee is of sufficient benefit by way of encouragement to the race to outweigh the recurrence and increase of race feeling which such an appointment is likely to engender. Therefore the Executive, in recognizing the negro race by appointments, must exercise a careful discretion not thereby to do it more harm than good. On the other hand, we must be careful not to encourage the mere pretense of race feeling manufactured in the interest of individual political ambition.

Personally, I have not the slightest race prejudice or feeling, and recognition of its existence only awakens in my heart a deeper sympathy for those who have to bear it or suffer from it, and I question the wisdom of a policy which is likely to increase it. Meantime, if nothing is done to prevent it, a better feeling between the negroes and the whites in the South will continue to grow, and more and more of the white people will come to realize that the future of the South is to be much benefitted by the industrial and intellectual progress of the negro. The exercise of political franchises by those of this race who are intelligent and well to do will be acquiesced in, and the right to vote will be withheld only from the ignorant and irresponsible of both races.

There is one other matter to which I shall refer. It was made the subject of great controversy during the election and calls for at least a passing reference now. My distinguished predecessor has given much attention to the cause of labor, with whose struggle for better things he has shown the sincerest sympathy. At his instance Congress has passed the bill fixing the liability of interstate carriers to their employees for injury sustained in the course of employment, abolishing the rule of fellow-servant and the common-law rule as to contributory negligence, and substituting therefor the so-called rule of "comparative negligence." It has also passed a law fixing the compensation of government employees for injuries sustained in the employ of the Government through the negligence of the superior. It has also passed a model child-labor law for the District of Columbia. In previous administrations an arbitration law for interstate commerce railroads and their employees, and laws for the application of safety devices to save the lives and limbs of employees of interstate railroads had been passed. Additional legislation of this kind was passed by the outgoing Congress.

I wish to say that in so far as I can I hope to promote the enactment of further legislation of this character. I am strongly convinced that the Government should make itself as responsible to employees injured in its employ as an interstate-railway corporation is made responsible by federal law to its employees; and I shall be glad, whenever any additional reasonable safety device can be invented to reduce the loss of life and limb among railway employees, to urge Congress to require its adoption by interstate railways.

Another labor question has arisen which has awakened the most excited discussion. That is in respect to the power of the federal courts to issue injunctions in industrial disputes. As to that, my convictions are fixed. Take away from the courts, if it could be taken away, the power to issue injunctions in labor disputes, and it would create a privileged class among the laborers and save the lawless among their number from a most needful remedy available to all men for the protection of their business against lawless invasion. The proposition that business is not a property or pecuniary right which can be protected by equitable injunction is utterly without foundation in precedent or reason. The proposition is usually linked with one to make the secondary boycott lawful. Such a proposition is at variance with the American instinct, and will find no support, in my judgment, when submitted to the American people. The secondary boycott is an instrument of tyranny, and ought not to be made legitimate.

The issue of a temporary restraining order without notice has in several instances been abused by its inconsiderate exercise, and to remedy this the platform upon which I was elected recommends the formulation in a statute of the conditions under which such a temporary restraining order ought to issue. A statute can and ought to be framed to embody the best modern practice, and can bring the subject so closely to the attention of the court as to make abuses of the process unlikely in the future. The American people, if I understand them, insist that the authority of the courts shall be sustained, and are opposed to any change in the procedure by which the powers of a court may be weakened and the fearless and effective administration of justice be interfered with.

Having thus reviewed the questions likely to recur during my administration, and having expressed in a summary way the position which I expect to take in recommendations to Congress and in my conduct as an Executive, I invoke the considerate sympathy and support of my fellow-citizens and the aid of the Almighty God in the discharge of my responsible duties.

EXTRA SESSION MESSAGE

THE WHITE HOUSE, *March 16, 1909.*

To the Senate and House of Representatives:

I have convened the Congress in this extra session in order to enable it to give immediate consideration to the revision of the Dingley tariff act. Conditions affecting production, manufacture, and business generally have so changed in the last twelve years as to require a readjustment and revision of the import duties imposed by that act. More than this, the present tariff act, with the other sources of government revenue, does not furnish income enough to pay the authorized expenditures. By July 1 next the excess of expenses over receipts for the current fiscal year will equal $100,000,000.

The successful party in the late election is pledged to a revision of the tariff. The country, and the business community especially, expect it. The prospect of a change in the rates of import duties always causes a suspension or halt in business because of the uncertainty as to the changes to be made and their effect. It is therefore of the highest importance that the new bill should be agreed upon and passed with as much speed as possible consistent with its due and thorough consideration. For these reasons, I have deemed the present to be an extraordinary occasion within the meaning of the Constitution, justifying and requiring the calling of an extra session.

In my inaugural address I stated in a summary way the principles upon which, in my judgment, the revision of the tariff should proceed, and indicated at least one new source of revenue that might be properly resorted to in order to avoid a future deficit. It is not necessary for me to repeat what I then said.

I venture to suggest that the vital business interests of the country require that the attention of the Congress in this session be chiefly devoted to the consideration of the new tariff bill, and that the less time given to other subjects of legislation in this session, the better for the country.

WILLIAM H. TAFT.

SPECIAL MESSAGE

THE WHITE HOUSE, *April 14, 1909.*

To the Senate and House of Representatives:

I transmit herewith a communication from the Secretary of War, inclosing one from the Chief of the Bureau of Insular Affairs, in which is transmitted a proposed tariff revision law for the Philippine Islands.

This measure revises the present Philippine tariff, simplifies it, and makes it conform as nearly as possible to the regulations of the customs laws of the United States, especially with respect to packing and packages. The present Philippine regulations have been cumbersome and difficult for American merchants and exporters to comply with. Its purpose is to meet the new conditions that will arise under the section of the pending United States tariff bill which provides, with certain limitations, for free trade between the United States and the islands. It is drawn with a view to preserving to the islands as much customs revenue as possible, and to protect in a reasonable measure those industries which now exist in the islands.

The bill now transmitted has been drawn by a board of tariff experts, of which the insular collector of customs, Col. George R. Colton, was the president. The board held a great many open meetings in Manila, and conferred fully with representatives of all business interests in the Philippine Islands. It is of great importance to the welfare of the islands that the bill should be passed at the same time with the pending Payne bill, with special reference to the provisions of which it was prepared.

I respectfully recommend that this bill be enacted at the present session of Congress as one incidental to and required by the passage of the Payne bill.

WILLIAM H. TAFT.

THE WHITE HOUSE, *April 20, 1909.*

To the Senate:

I transmit herewith, for the information of the Senate in connection with the Senate's resolution of February 26, 1908, a report by the Secretary of State, with accompanying papers, showing the settlement of the controversies which existed with the Government of Venezuela with respect to the claims against that Government of the Orinoco Steamship Company; of the Orinoco Corporation and of its predecessors in interest, The Manoa Company (Limited), The Orinoco

Company, and The Orinoco Company (Limited); of the United States and Venezuela Company, also known as the Crichfield claim; of A. F. Jaurett; and of the New York and Bermudez Company.

WILLIAM H. TAFT.

[NOTE: This Message was accompanied by a letter from the Secretary of State, transmitting to the President a protocol of agreement between the United States and Venezuela, providing that the views on these claims entertained by the two countries being so diametrically opposed, they are bound by their treaties to submit the questions involved to the Hague Tribunal, the cases to be filed before October 13, 1909, counter cases to follow within four months thereafter, and, if necessary, argument before the arbitral tribunal may take place through representatives within sixty days after the date before which the counter cases must be filed.]

THE WHITE HOUSE, *May 10, 1909.*

To the Senate and House of Representatives:

An emergency has arisen in Porto Rico which makes it necessary for me to invite the attention of the Congress to the affairs of that island, and to recommend legislation at the present extra session amending the act under which the island is governed.

The regular session of the legislative assembly of Porto Rico adjourned March 11 last without passing the usual appropriation bills. A special session of the assembly was at once convened by the governor, but after three days, on March 16, it again adjourned without making the appropriations. This leaves the island government without provision for its support after June 30 next. The situation presented is, therefore, of unusual gravity.

The present government of Porto Rico was established by what is known as the Foraker Act, passed April 12, 1900, and taking effect May 1, 1900. Under that act the chief executive is a governor appointed by the President and confirmed by the Senate. A secretary, attorney-general, treasurer, auditor, commissioner of the interior, and commissioner of education, together with five other appointees of the President, constitute the executive council. The executive council must have in its membership not less than five native Porto Ricans. The legislative power is vested in the legislative assembly, which has two coordinate branches. The first of these is the executive council just described, and the second is the house of delegates, a popular and representative body, with members elected by the qualified electors of the seven districts into which the island is divided.

The statute directing how the expenses of government are to be provided leaves some doubt whether this function is not committed solely to the executive council, but in practice the legislative assembly has made appropriations for all the expenses other than for salaries fixed by Congress, and it is too late to reverse that construction.

Ever since the institution of the present assembly, the house of delegates has uniformly held up the appropriation bills until the last minute of the regular session, and has sought to use the power to do so as a means of compelling the concurrence of the executive council in legislation which the house desired.

In the last regular legislative assembly, the house of delegates passed a bill dividing the island into several counties and providing county governments; a bill to establish manual training schools; a bill for the establishment of an agricultural bank; a bill providing that vacancies in the offices of mayors and councilmen be filled by a vote of the municipal councils instead of by the governor, and a bill putting in the control of the largest taxpayers in each municipal district the selection in great part of the assessors of property.

The executive council declined to concur in these bills. It objected to the agricultural bank bill on the ground that the revenues of the island were not sufficient to carry out the plan proposed, and to the manual training school bill because in plain violation of the Foraker Act. It objected to the change in the law concerning the appraisement of property on the ground that the law was intended to put too much power, in respect of the appraisement of property for taxation, in the hands of those having the most property to tax. The chief issue was a bill making all the judges in municipalities elective. Under previous legislation there are 26 municipal judges who are elected to office. By this bill it was proposed to increase the elective judges from 26 to 66 in number, and at the same time to abolish the justices of the peace. The change was objected to on the ground that the election of municipal judges had already interfered with the efficient and impartial administration of justice, had made the judges all of one political faith and mere political instruments in the hands of the central committee of the Unionist or dominant party. The attitude of the executive council in refusing to pass these bills led the house of delegates to refuse to pass the necessary appropriation bills.

The facts recited demonstrate the willingness of the representatives of the people in the house of delegates to subvert the government in order to secure the passage of certain legislation. The question whether the proposed legislation should be enacted into law was left by the fundamental act to the joint action of the executive council and the house of delegates as the legislative assembly. The house of delegates proposes itself to secure this legislation without respect to the opposition of the executive council, or else to pull down the whole government. This spirit, which has been growing from year to year in Porto Rico, shows that too great power has been vested in the house of delegates and that its members are not sufficiently alive to their oath-taken responsibility, for the maintenance of the government, to justify Congress in further reposing in them absolute power to withhold appropriations necessary for the government's life.

For these reasons I recommend an amendment to the Foraker Act providing that whenever the legislative assembly shall adjourn without making the appropriations necessary to carry on the government, sums equal to the appropriations made in the previous year for the respective purposes shall be available from the current revenues and shall be drawn by the warrant of the auditor on the treasurer and countersigned by the governor. Such a provision applies to the legislatures of the Philippines and Hawaii, and it has prevented in those two countries any misuse of the power of appropriation.

The house of delegates sent a committee of three to Washington, while the executive council was represented by the secretary and a committee consisting of the attorney-general and the auditor. I referred both committees to the Secretary of the Interior, whose report, with a letter from Governor Post, and the written statements of both committees, accompany this message.

I have had one personal interview with the committee representing the house of delegates and suggested to them that if the house of delegates would pass the appropriation bill without insisting upon the passage of the other bills by the executive council, I would send a representative of the Government to Porto Rico to make an investigation and report in respect to the proposed legislation. Their answer, which shows them not to be in a compromising mood, was as follows:

"If the legislative assembly of Porto Rico would be called to an extraordinary session exclusively to pass an appropriation bill, taking into consideration the state of affairs down the island and the high dissatisfaction produced by the intolerant attitude of the executive council, and also taking into consideration the absolute resistance of the house to do any act against its own dignity and the dignity of the country, it is the opinion of these commissioners that no agreement would be attained unless the council feel disposed to accept the amendments of the house of delegates.

"However, if in the proclamation calling for an extraordinary session the judicial and municipal reforms would be mentioned, and if the executive council would accept that the present justices of the peace be abolished and municipal judges created in every municipality, and that vacancies occurring in mayorships and judgeships be filled by the municipal councils, as provided in the so-called "municipal bills" passed by the house in its last session, then the commissioners believe that the appropriation bills will be passed in the house as introduced in the council without delay."

Porto Rico has been the favored daughter of the United States. The sovereignty of the island in 1899 passed to the United States with the full consent of the people of the island.

Under the law all the customs and internal-revenue taxes are turned into the treasury of Porto Rico for the maintenance of the island government, while the United States pays out of its own Treasury the cost of the local army—i. e., a full Porto Rican regiment—the revenue vessels, the light-house service, the coast surveys, the harbor improvements, the marine-hospital support, the post-office deficit, the weather bureau, and the upkeep of the agricultural experiment stations.

Very soon after the change of sovereignty a cyclone destroyed a large part of Porto Rican coffee culture; $200,000 was expended from the United States Treasury to buy rations for those left in distress. The island is policed by 700 men, and complete tranquillity reigns.

Before American control 87 per cent of the Porto Ricans were unable to read or write, and there was not in this island, containing a million people, a single building constructed for public instruction, while the enrollment of pupils in such schools as there were, 551 in number, was but 21,000. To-day in the island there are 160 such buildings, and the enrollment of pupils in 2,400 schools has reached the number of 87,000. The year before American sovereignty there was expended $35,000 in gold for public education. Under the present government there is expended for this purpose a total of a million dollars a year.

When the Americans took control there were 172 miles of macadamized road. Since then there have been constructed 452 miles more, mostly in the mountains, making in all now a total of 624 miles of finely planned and admirably constructed macadamized roads—as good roads as there are in the world.

In the course of the administration of this island, the United States medical authorities discovered a disease of tropical anæmia which was epidemic and was produced by a microbe called the "hook worm." It so much impaired the energy of those who suffered from it, and so often led to complete prostration and death, that it became necessary to undertake its cure by widespread governmental effort. I am glad to say that 225,000 natives, or one-fourth of the entire population, have been treated at government expense, and the effect has been much to reduce the extent and severity of the disease and to bring it under control. Substantially every person in the island has been vaccinated and smallpox has practically disappeared.

There is complete free trade between Porto Rico and the United

States, and all customs duties collected in the United States on Porto Rican products subsequent to the date of Spanish evacuation, amounting to nearly $3,000,000, have been refunded to the island treasury. The loss to the revenues of the United States from the free admission of Porto Rican products is $15,000,000 annually. The wealth of the island is directly dependent upon the cultivation of the soil, to cane, tobacco, coffee, and fruit, for which we in America provide the market. Without our fostering benevolence the business of Porto Rico would be as prostrate as are some of the neighboring West Indian islands. Before American control the trade balance against the island was over $12,500,000, while the present balance of trade in favor of the island is $2,500,000. The total of exports and imports has increased from about $22,000,000 before American sovereignty to $56,000,000 at the present day. At the date of the American occupation the estimated value of all agricultural land was about $30,000,000. Now the appraised value of the real property in the island reaches $100,000,000. The expenses of government before American control were $2,969,000, while the receipts were $3,644,000. For the year 1906 the receipts were $4,250,000, and the expenditures were $4,084,000. Of the civil servants in the central government, 343 are Americans and 2,548 are native Porto Ricans. There never was a time in the history of the island when the average prosperity of the Porto Rican has been higher, when his opportunity has been greater, when his liberty of thought and action was more secure.

Representatives of the house of delegates insist in their appeals to Congress and to the public that from the standpoint of a free people the Porto Ricans are now subjected under American control to political oppression and to a much less liberal government than under that of Spain. To prove this they refer to the provisions of a royal decree of 1897, promulgated in November of that year. The decree related to the government of Porto Rico and Cuba and was undoubtedly a great step forward in granting a certain sort of autonomy to the people of the two islands. The war followed within a few months after its promulgation, and it is impossible to say what its practical operation would have been. It was a tentative arrangement, revocable at the pleasure of the Crown, and had, in its provisions, authority for the governor-general to suspend all of the laws of the legislature of the islands until approved or disapproved at home, and to suspend at will all constitutional guaranties of life, liberty, and property, supposed to be the basis of civil liberty and free institutions. The insular legislature had no power to enact new laws or to amend existing laws governing property rights or the life and liberty of the people. The jurisdiction to pass these remained in the hands of the National Cortes and included the mass of code laws governing the descent and distribution and transfer of property and contracts, and torts, land laws, notarial laws, laws of waters and mines, penal statutes, civil, criminal, and administrative procedure, organic laws of the municipalities, election laws, the code of commerce, etc.

In contrast with this, under its present form of government the island legislature possesses practically all the powers of an American commonwealth, and the constitutional guaranties of its inhabitants, instead of being subject to suspension by executive discretion, are absolutely guaranteed by act of Congress. The great body of substantive law now in force in the island—political, civil, and criminal code, codes of political, civil, and criminal procedure, the revenue, municipal, electoral, franchise, educational, police, and public works laws, and the like—has been enacted by the people of the island themselves, as no law can be put upon the statute books unless it has received the approval of the representative lower house of the legislature. In no single case has the Congress of the United States intervened to annul or control acts of the legislative assembly. For the first time in the history of Porto Rico the island is living under laws enacted by its own legislature.

It is idle, however, to compare political power of the Porto Ricans under the royal decree of 1897, when their capacity to exercise it with benefit to themselves was never in fact tested, with that which they have under the Foraker Act. The question we have before us is whether their course since the adoption of the Foraker Act does not show the necessity for withholding from them the absolute power given by that act to the legislative assembly over appropriations, when the house of delegates, as a coordinate branch of that assembly, shows itself willing and anxious to use such absolute power, not to support and maintain the government, but to render it helpless. If the Porto Ricans desire a change in the form of the Foraker Act, this is a matter for congressional consideration dependent on the effect of such a change on the real political progress in the island.

Such a change should be sought in an orderly way and not brought to the attention of Congress by paralyzing the arm of the existing government. I do not doubt that the terms of the existing fundamental act might be improved, certainly in qualifying some of its provisions as to the respective jurdisdictions of the executive council and the legislative assembly; and I suggest to Congress the wisdom of submitting to the appropriate committees this question of revision. But no action of this kind should be begun until after, by special amendment of the Foraker Act, the absolute power of appropriation is taken away from those who have shown themselves too irresponsible to enjoy it.

In the desire of certain of their leaders for political power Porto

Ricans have forgotten the generosity of the United States in its dealings with them. This should not be an occasion for surprise, nor in dealing with a whole people can it be made the basis of a charge of ingratitude. When we, with the consent of the people of Porto Rico, assumed guardianship over them and the guidance of their destinies, we must have been conscious that a people that had enjoyed so little opportunity for education could not be expected safely for themselves to exercise the full power of self-government; and the present development is only an indication that we have gone somewhat too fast in the extension of political power to them for their own good.

The change recommended may not immediately convince those controlling the house of delegates of the mistake they have made in the extremity to which they have been willing to resort for political purposes, but in the long run it will secure more careful and responsible exercise of the power they have.

There is not the slightest evidence that there has been on the part of the governor or of any member of the executive council a disposition to usurp authority, or to withhold approval of such legislation as was for the best interests of the island, or a lack of sympathy with the best aspirations of the Porto Rican people.

WILLIAM H. TAFT.

[NOTE: This Message was accompanied by a letter from the Secretary of the Interior, in which he stated that, the differences between the two branches of Government being fundamental and irreconcilable, he would recommend that a person be commissioned to visit the island and investigate the fitness of the people for exercising a more popular form of government. He also recommended that the organic act of Porto Rico be changed so that, as in the Philippine and Hawaiian Islands, when a deadlock occurs and the State is threatened with paralysis, an appropriation equal to the last preceding appropriation shall automatically issue for the maintenance of government until the legislature shall have acted.

Other accompanying papers (statements by Governor Regis H. Post and the representatives of the Council and the Legislature) set forth the facts as given in full by the President.]

THE WHITE HOUSE, *May 28, 1909.*

To the Senate:

In response to the resolution of the Senate dated May 25, 1909, requesting the President, if not incompatible in his judgment with the public interest, to transmit to the Senate the statement of the German Government, or its officers, in relation to the wages paid to German workmen, for the use of the Senate in connection with its consideration of the pending tariff bill, I transmit herewith a letter from the Secretary of State stating that all the information on this subject which has been received from the German Government has been transmitted by the Department of State to the Committee on Finance of the Senate for use in the consideration of the pending tariff bill.

WILLIAM H. TAFT.

THE WHITE HOUSE, *May 28, 1909.*

To the Senate:

In further response to the resolution adopted by the Senate on the 25th instant, requesting the President, if not incompatible in his judgment with the public interests, to transmit to the Senate the statement of the German Government or its officers in relation to the wages paid to German workmen, I transmit herewith the documents furnished by the German Government on the subject, which this day were returned by the Committee on Finance of the Senate to the Department of State.

The attention of the Senate is invited to the statement in the accompanying report of the Acting Secretary of State that these documents were obtained upon the understanding that the names of manufacturers were to be held confidential and that the information furnished will not be made the basis of administrative action.

WILLIAM H. TAFT.

[NOTE: This Message was accompanied by a statement from the German Government controverting representations made to the Congressional Committees on Tariff Revision by interested American manufacturers regarding the cost of production and wages paid by German manufacturers of chemicals, pottery, glass, metals, jewelry, watches, sugar, cotton goods, textiles, worsted, carpets, wool, paper, printed articles, brushes, shoes, leather, matches, and ammunition. According to this German statement, the cost of production of their articles and the wages paid by them were grossly misrepresented.]

SPECIAL MESSAGE

THE WHITE HOUSE, *June 5, 1909.*

To the Senate and House of Representatives:

I have the honor to transmit herewith a communication from the Acting Secretary of War, under date of May 8, submitting the report, with accompanying exhibits, of Hon. Charles E. Magoon, provisional governor of Cuba, for the period from December 1, 1908, to January 28, 1909, when the provisional government was terminated and the island again turned over to the Cubans. I recommend, in accordance with the suggestion of the Acting Secretary of War, that this report and the exhibits be printed.

I think it only proper to take this opportunity to say that the administration by Governor Magoon of the government of Cuba from 1906 to 1909 involved the disposition and settlement of many very difficult questions and required on his part the exercise of ability and tact of the highest order. It gives me much pleasure to note in this public record the credit due to Governor Magoon for his distinguished service.

The army of Cuban pacification under Major-General Barry was of the utmost assistance in the preservation of the peace of the island and the maintenance of law and order, without the slightest friction with the inhabitants of the island, although the army was widely distributed through the six provinces and came into close contact with the people.

The administration of Governor Magoon and the laws recommended by the advisory commission, with Colonel Crowder, of the Judge-Advocate-General's Corps at its head, and put into force by the governor, have greatly facilitated the progress of good government in Cuba. At a fair election held under the advisory commission's new election law, General Gomez was chosen President and he has begun his administration under good auspices. I am glad to express the hope that the new government will grow in strength and self-sustaining capacity under the provisions of the Cuban constitution.

WILLIAM H. TAFT.

THE WHITE HOUSE, *June 16, 1909.*

To the Senate and House of Representatives:

It is the constitutional duty of the President from time to time to recommend to the consideration of Congress such measures as he shall judge necessary and expedient. In my inaugural address immediately preceding this present extraordinary session of Congress, I invited attention to the necessity for a revision of the tariff at this session, and stated the principles upon which I thought the revision should be effected. I referred to the then rapidly increasing deficit, and pointed out the obligation on the part of the framers of the tariff bill to arrange the duty so as to secure an adequate income, and suggested that if it was not possible to do so by import duties, new kinds of taxation must be adopted, and among them I recommended a graduated inheritance tax as correct in principle and as certain and easy of collection. The House of Representatives has adopted the suggestion and has provided in the bill it passed for the collection of such a tax. In the Senate the action of its Finance Committee and the course of the debate indicate that it may not agree to this provision, and it is now proposed to make up the deficit by the imposition of a general income tax, in form and substance of almost exactly the same character as that which in the case of Pollock *v.* Farmers' Loan and Trust Company (157 U. S., 429) was held by the Supreme Court to be a direct tax, and therefore not within the power of the Federal Government to impose unless apportioned among the several States according to population. This new proposal, which I did not discuss in my inaugural address or in my message at the opening of the present session, makes it appropriate for me to submit to the Congress certain additional recommendations.

The decision of the Supreme Court in the income-tax cases deprived the National Government of a power which, by reason of previous decisions of the court, it was generally supposed that Government had. It is undoubtedly a power the National Government ought to have. It might be indispensable to the nation's life in great crises. Although I have not considered a constitutional amendment as necessary to the exercise of certain phases of this power, a mature consideration has satisfied me that an amendment is the only proper course for its establishment to its full extent. I therefore recommend to the Congress that both Houses, by a two-thirds vote, shall propose an amendment to the Constitution conferring the power to levy an income tax upon the National Government without apportionment among the States in proportion to population.

This course is much to be preferred to the one proposed of reenacting a law once judicially declared to be unconstitutional. For the Congress to assume that the court will reverse itself, and to enact legislation on such an assumption, will not strengthen popular confidence in the stability of judicial construction of the Constitution. It is much wiser policy to accept the decision and remedy the defect by amendment in due and regular course.

Again, it is clear that by the enactment of the proposed law, the Congress will not be bringing money into the Treasury to meet the present deficiency, but by putting on the statute book a law already there and never repealed, will simply be suggesting to the executive officers of the Government their possible duty to invoke litigation. If the court should maintain its former view, no tax would be collected at all. If it should ultimately reverse itself, still no taxes would have been collected until after protracted delay.

It is said the difficulty and delay in securing the approval of three-fourths of the States will destroy all chance of adopting the amendment. Of course, no one can speak with certainty upon this point, but I have become convinced that a great majority of the people of this country are in favor of vesting the National Government with power to levy an income tax, and that they will secure the adoption of the amendment in the States, if proposed to them.

Second, the decision in the Pollock case left power in the National Government to levy an excise tax which accomplishes the same purpose as a corporation income tax, and is free from certain objections urged to the proposed income-tax measure.

I therefore recommend an amendment to the tariff bill imposing upon all corporations and joint stock companies for profit, except national banks (otherwise taxed), savings banks, and building and loan associations, an excise tax measured by 2 per cent. on the net income of such corporations. This is an excise tax upon the privilege of doing business as an artificial entity and of freedom from a general partnership liability enjoyed by those who own the stock.

I am informed that a 2 per cent. tax of this character would bring into the Treasury of the United States not less than $25,000,000.

The decision of the Supreme Court in the case of Spreckels Sugar Refining Company against McClain (192 U. S., 397) seems clearly to establish the principle that such a tax as this is an excise tax upon privilege and not a direct tax on property, and is within the federal power without apportionment according to population. The tax on net income is preferable to one proportionate to a percentage of the gross receipts, because it is a tax upon success and not failure. It imposes a burden at the source of the income at a time when the corporation is well able to pay and when collection is easy.

Another merit of this tax is the federal supervision which must be exercised in order to make the law effective over the annual accounts and business transactions of all corporations. While the faculty of assuming a corporate form has been of the utmost utility in the business world, it is also true that substantially all of the abuses and all of the evils which have aroused the public to the necessity of reform were made possible by the use of this very faculty. If now, by a perfectly legitimate and effective system of taxation we are incidentally able to possess the Government and the stockholders and the public of the knowledge of the real business transactions and the gains and profits of every corporation in the country, we have made a long step toward that supervisory control of corporations which may prevent a further abuse of power.

I recommend, then, first, the adoption of a joint resolution by two-thirds of both Houses proposing to the States an amendment to the Constitution granting to the Federal Government the right to levy and collect an income tax without apportionment among the States according to population, and, second, the enactment, as part of the pending revenue measure, either as a substitute for, or in addition to, the inheritance tax, of an excise tax upon all corporations measured by 2 per cent. of their net income.

WILLIAM H. TAFT.

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA.

A THANKSGIVING PROCLAMATION.

1909

The season of the year has returned when, in accordance with the reverent custom established by our forefathers, the people of the United States are wont to meet in their usual places of worship on a day of thanksgiving appointed by the Civil Magistrate to return thanks to God for the great mercies and benefits which they have enjoyed.

During the past year we have been highly blessed. No great calamities of flood or tempest or epidemic of sickness have befallen us. We have lived in quietness, undisturbed by war or threats of war. Peace and plenty of bounteous crops and of great industrial production animate a cheerful and resolute people to all the renewed energies of beneficent industry and material and moral progress. It is altogether fitting that we should humbly and gratefully acknowledge the Divine source of these blessings.

Therefore, I hereby appoint Thursday, the twenty-fifth day of November, as a day of general thanksgiving, and I call upon the people on that day, laying aside their usual vocations, to repair to their churches and unite in appropriate services of praise and thanks to Almighty God.

In witness whereof, I have hereunto put my hand and caused the seal of the United States to be affixed.

Done at the city of Washington this fifteenth day of November, in the year of our Lord, one thousand nine hundred and nine, and of the Independence of the United States the one hundred and thirty-fourth.

[SEAL.]

WILLIAM H. TAFT.

By the President:

P. C. KNOX, *Secretary of State.*

THE WHITE HOUSE, *July 29, 1909.*

To the Senate and House of Representatives:

I transmit for the information of the Congress a report by the Secretary of State, with accompanying correspondence, touching the condition of affairs in the Kongo.

WILLIAM H. TAFT.

[NOTE: This Message was accompanied by a copy of correspondence between the United States and its foreign representatives in London, Belgium, and the Kongo Free State, showing the attitude of the United States and Great Britain toward annexation by Belgium of the Free State, and also showing the views expressed by British, Belgian, and American officials with regard to the condition of the natives and the character of trade prior to the annexation. With regard to the former three American consular officials, after tours of inspection at different times during 1907-8, reported in substance that "the tendency of this system is to brutalize rather than civilize"; that the natives were virtually enslaved by the State under the pretense of conscription as rubber-gatherers; that, having performed his conscript service, the native's bondage was indefinitely prolonged by means of taxes payable in rubber; and that factory labor was procured by underweighing tax-rubber and sentencing the alleged delinquent to jail. With regard to trade, they characterized the Government as a monopoly protected from competition in every conceivable way by the laws of the country. The profits obtained by its European owners were secret, but the evils inflicted upon the country and the inhumanities practised on the natives were all too evident.

The Belgian officials denied the existence of any conditions either as regards trade or as regards the natives which could be rightfully construed as violating the Berlin act whereby freedom of trade was decreed, slavery abolished, and measures provided for the protection of the native. The British officials expressed views concurrent with those of the American consuls. American acquiescence as to annexation was shown to be conditioned upon reform in the Kongo.]

ADDRESS ON THE TARIFF LAW OF 1909.

BY PRESIDENT TAFT AT WINONA, MINN., SEPTEMBER 17, 1909.

MY FELLOW CITIZENS: As long ago as August, 1906, in the congressional campaign in Maine, I ventured to announce that I was a tariff revisionist and thought that the time had come for a readjustment of the schedules. I pointed out that it had been ten years prior to that time that the Dingley bill had been passed; that great changes had taken place in the conditions surrounding the productions of the farm, the factory, and the mine, and that under the theory of protection in that time the rates imposed in the Dingley bill in many instances might have become excessive; that is, might have been greater than the difference between the cost of production abroad and the cost of production at home with a sufficient allowance for a reasonable rate of profit to the American producer. I said that the party was divided on the issue, but that in my judgment the opinion of the party was crystallizing and would probably result in the near future in an effort to make such revision. I pointed out the difficulty that there always was in a revision of the tariff, due to the threatened disturbance of industries to be affected and the suspension of business, in a way which made it unwise to have too many revisions. In the summer of 1907 my position on the tariff was challenged, and I then entered into a somewhat fuller discussion of the matter. It was contended by the so-called "standpatters" that rates beyond the necessary measure of protection were not objectionable, because behind the tariff wall competition always reduced the prices, and thus saved the consumer. But I pointed out in that speech what seems to me as true to-day as it then was, that the danger of excessive rates was in the temptation they created to form monopolies in the protected articles, and thus to take advantage of the excessive rates by increasing the prices, and therefore, and in order to avoid such a danger, it was wise at regular intervals to examine the question of what the effect of the rates had been upon the industries in this country, and whether the conditions with respect to the cost of production here had so changed as to warrant a reduction in the tariff, and to make a lower rate truly protective of the industry.

It will be observed that the object of the revision under such a statement was not to destroy protected industries in this country, but it was to continue to protect them where lower rates offered a sufficient protection to prevent injury by foreign competition. That was the object of the revision as advocated by me, and it was certainly the object of the revision as promised in the Republican platform.

I want to make as clear as I can this proposition, because, in order to determine whether a bill is a compliance with the terms of that platform, it must be understood what the platform means. A free trader is opposed to any protected rate because he thinks that our manufacturers, our farmers, and our miners ought to withstand the competition of foreign manufacturers and miners and farmers, or else go out of business and find something else more profitable to do. Now, certainly the promises of the platform did not contemplate the downward revision of the tariff rates to such a point that any industry theretofore protected should be injured. Hence, those who contend that the promise of the platform was to reduce prices by letting in foreign competition are contending for a free trade, and not for anything that they had the right to infer from the Republican platform.

TAFT REVIEWING HIS INAUGURAL PARADE

THE ADMINISTRATION OF PRESIDENT TAFT.

President Taft's record as a procurer of legislation is excellent. Without much noise or bluster he carried many important measures through an indifferent, if not hostile, Congress. Ever since the tariff session of 1909, his own party lacked cohesion; the will of the majority party was constantly in danger of being defeated by a combination of its radical members with the minority. Under such circumstances no measure could win merely on the strength of its being a party measure. The compulsion of public opinion was always necessary to procure action. The President fostered and led public opinion with remarkable success, by means of utterances in which partisan politics were conspicuous by their absence. In the case of the reciprocity measure the voting seems hardly to have been influenced by party considerations, Democrats having worked earnestly for its success, even though it was a Republican measure. The character of the President is esteemed by all sections and all parties, mainly because he held the nation's welfare to be a worthier object of labor than personal and party success.

The Taft Administration is discussed, and its achievements recorded, in the article entitled "Taft, William H., Administration of," in the Encyclopedic Index, after which will be found citations of his official utterances on the leading topics of the day.

The Ways and Means Committee of the House, with Mr. Payne at its head, spent a full year in an investigation, assembling evidence in reference to the rates under the tariff, and devoted an immense amount of work in the study of the question where the tariff rates could be reduced and where they ought to be raised with a view to maintaining a reasonably protective rate, under the principles of the platform, for every industry that deserved protection. They found that the determination of the question, what was the actual cost of production and whether an industry in this country could live under a certain rate and withstand threatened competition from abroad, was most difficult. The manufacturers were prone to exaggerate the injury which a reduction in the duty would give and to magnify the amount of duty that was needed; while the importers, on the other hand, who were interested in developing the importation from foreign shores, were quite likely to be equally biased on the other side.

Mr. Payne reported a bill—the Payne Tariff bill—which went to the Senate and was amended in the Senate by increasing the duty on some things and decreasing it on others. The difference between the House bill and the Senate bill was very much less than the newspapers represented. It turns out upon examination that the reductions in the Senate were about equal to those in the House, though they differed in character. Now, there is nothing quite so difficult as the discussion of a tariff bill, for the reason that it covers so many different items, and the meaning of the terms and the percentages are very hard to understand. The passage of a new bill, especially where a change in the method of assessing the duties has been followed, presents an opportunity for various modes and calculations of the percentages of increases and decreases that are most misleading and really throw no light at all upon the changes made.

One way of stating what was done is to say what the facts show—that under the Dingley law there were 2,024 items. This included dutiable items only. The Payne law leaves 1,150 of these items unchanged. There are decreases in 654 of the items and increases in 220 of the items. Now, of course, that does not give a full picture, but it does show the proportion of decreases to have been three times those of the increases. Again, the schedules are divided into letters from A to N. The first schedule is that of chemicals, oils, etc. There are 232 items in the Dingley law; of these, 81 were decreased, 22 were increased, leaving 129 unchanged. Under Schedule B—earths, earthen ware and glass ware—there were 170 items in the Dingley law; 46 were decreased, 12 were increased, and 112 left unchanged. C is the schedule of metals and manufactures. There were 321 items in the Dingley law; 185 were decreased, 30 were increased, and 106 were left unchanged. D is the schedule of wood and manufactures of wood.

There were 35 items in the Dingley law; 18 were decreased, 3 were increased, and 14 were left unchanged. There were 38 items in sugar, and of these 2 were decreased and 36 left unchanged. Schedule F covers tobacco and manufactures of tobacco, of which there were 8 items; they were all left unchanged. In the schedule covering agricultural products and provisions there were 187 items in the Dingley law; 14 of them were decreased, 19 were increased, and 154 left unchanged. Schedule H—that of spirits and wines—contained 33 items in the Dingley law; 4 were decreased, 23 increased, and 6 left unchanged. In cotton manufactures there were 261 items; of these 28 were decreased, 47 increased, and 186 left unchanged. In Schedule J—flax, hemp, and jute—there were 254 items in the Dingley law; 187 were reduced, 4 were increased, and 63 left unchanged. In wool, and manufactures thereof, there were 78 items; 3 were decreased, none were increased, and 75 left unchanged. In silk and silk goods there were 78 items; of these, 21 were decreased, 31 were increased, and 26 were left unchanged. In pulp, papers, and books there were 59 items in the Dingley law, and of these 11 were decreased, 9 were increased, and 39 left unchanged. In sundries there were 270 items, and of these 54 were decreased, 20 were increased, and 196 left unchanged. So that the total showed 2,024 items in the Dingley law, of which 654 were decreased, 220 were increased, making 874 changes, and 1,150 left unchanged.

SCHEDULES.	Items in Dingley law.	Changes in Dingley law by Payne law.			Unchanged.
		Decreases.	Increases.	Total changes.	
A—Chemicals, oils, etc	232	81	22	103	129
B—Earths, earthen and glass ware	170	46	12	58	112
C—Metals, and manufactures of	321	185	30	215	106
D—Wood, and manufactures of	35	18	3	21	14
E—Sugar, molasses, and manufactures of	38	2	0	2	36
F—Tobacco, and manufactures of	8	0	0	0	8
G—Agricultural products and provisions	187	14	19	33	154
H—Spirits, wines, etc	33	4	23	27	6
I—Cotton manufactures	261	28	47	75	186
J—Flax, hemp, jute, manufactures of	254	187	4	191	63
K—Wool, and manufactures of	78	3	0	3	75
L—Silk and silk goods	78	21	31	52	26
M—Pulp, papers, and books	59	11	9	20	39
N—Sundries	270	54	20	74	106
Total	2,024	654	220	874	1,150

Attempts have been made to show what the real effect of these changes has been by comparing the imports under the various schedules, and assuming that the changes and their importance were in proportion to the importations. Nothing could be more unjust in a protective tariff which also contains revenue provisions. Some of the tariff is made for the purpose of increasing the revenue by increasing importations which shall pay duty. Other items in the tariff are made for the purpose of reducing competition, that is, by reducing importations, and, therefore, the question of the importance of a change in rate can not in the slightest degree be determined by the amount of imports that take place. In order to determine the importance of the changes, it is much fairer to take the articles on which the rates of duty have been reduced and those on which the rates of duty have been increased, and then determine from statistics how large a part the articles upon which duties have been reduced play in the consumption of the country, and how large a part those upon which the duties have been increased play in the consumption of the country. Such a table has been prepared by Mr. Payne, than whom there is no one who understands better what the tariff is and who has given more attention to the details of the schedule.

Now, let us take Schedule A—chemicals, oils, and paints. The articles upon which the duty has been decreased are consumed in this country to the extent of $433,000,000. The articles upon which the duty has been increased are consumed in this country to the extent of $11,000,000. Take Schedule B. The articles on which the duty has been decreased entered in the consumption of the country to the amount of $128,000,000, and there has been no increase in duty on such articles. Take Schedule C—metals and their manufactures. The amount to which such articles enter into the consumption of the country is $1,221,000,000, whereas the articles of the same schedule upon which there has been an increase enter into the consumption of the country to the extent of only $37,000,000. Take Schedule D—lumber. The articles in this schedule upon which there has been a decrease enter into the consumption of the country to the extent of $566,000,000, whereas the articles under the same schedule upon which there has been an increase enter into its consumption to the extent of $31,000,000. In tobacco there has been no change. In agricultural products, those in which there has been a reduction of rates enter into the consumption of the country to the extent of $483,000,000; those in which there has been an increase enter into the consumption to the extent of $4,000,000. In the schedule of wines and liquors, the articles upon which there has been an increase, enter into the consumption of the country to the extent of $462,000,000. In cottons there has been a change in the higher-priced cottons and an increase. There has been no increase in the lower-priced cottons, and of the increases the high-priced cottons enter into the consumption of the country to the extent of $41,000,000. Schedule J—flax, hemp, and jute: The articles upon which there has been a decrease enter into the consumption of the country to the extent of $22,000,000, while those upon which there has been an increase enter into the consumption to the extent of $804,000. In Schedule K as to wool, there has been no change. In Schedule L as to silk, the duty has been decreased on articles which enter into the consumption of the country to the extent of $8,000,000, and has been increased on articles that enter into the consumption of the country to the extent of $106,000,000. On paper and pulp the duty has been decreased on articles, including print paper, that enter into the consumption of the country to the extent of $67,000,000 and increased on articles that enter into the consumption of the country to the extent of $81,000,000. In sundries, or Schedule N, the duty has been decreased on articles that enter into the consumption of the country to the extent of $1,719,000,000; and increased on articles that enter into the consumption of the country to the extent of $101,000,000.

It will be found that in Schedule A the increases covered only luxuries—perfumes, pomades, and like articles; Schedule H—wines and liquors—which are certainly luxuries and are made subject to increase in order to increase the revenues, amounting to $462,000,000; and in Schedule L—silks—which are luxuries, certainly, $106,000,000, making a total of the consumption of those articles upon which there was an increase and which were luxuries of $579,000,000, leaving a balance of increase on articles which were not luxuries of value in consumption of only $272,000,000, as against $5,000,000,000, representing the amount of articles entering into the consumption of the country, mostly necessities, upon which there has been a reduction of duties, and to which the 650 decreases applied.

Statement.

Schedule.	Consumption value. Duties decreased.	Consumption value. Duties increased.
A—Chemicals, oils, and paints	$ 433,099,846	$11,105,820
B—Earths, earthenware, and glassware	128,423,732	....
C—Metals, and manufactures of	1,221,956,620	37,675,804
D—Wool, and manufactures of	566,870,950	31,280,372
E—Sugar, molasses, and manufactures of	300,965,953	....
F—Tobacco, and manufactures of (no change of rates)	....	....
G—Agricultural, products and provisions	483,430,637	4,380,043
H—Spirits, wines, and other beverages	....	462,001,856
I—Cotton manufactures	....	41,622,024
J—Flax, hemp, jute, and manufactures of	22,127,145	804,445
K—Wool and manufactures of wool. (No production statistics available for articles affected by changes of rates)	....	....
L—Silks, and silk goods	7,947,568	106,742,646
M—Pulp, papers, and books	67,628,055	81,486,466
N—Sundries	1,719,428,069	101,656,598
Total	$4,951,878,575	$878,756,074

Of the above increases the following are luxuries, being articles strictly of voluntary use:

Schedule A. Chemicals, including perfumeries, pomades, and like articles	$11,105,820
Schedule H. Wines and liquors	462,001,856
Schedule L. Silks	106,742,646
Total	$579,850,322

This leaves a balance of increases which are not on articles of luxury of $298,905,752, as against decreases on about five billion dollars of consumption.

Now, this statement shows as conclusively as possible the fact that there was a substantial downward revision on articles entering into the general consumption of the country which can be termed necessities, for the proportion is $5,000,000,000, representing the consumption of articles to which decreases applied, to less than $300,000,000 of articles of necessity to which the increases applied.

Now, the promise of the Republican platform was not to revise everything downward, and in the speeches which have been taken as interpreting that platform, which I made in the campaign, I did not promise that everything should go downward. What I promised was, that there should be many decreases, and that in some few things increases would be found to be necessary; but that on the whole I conceived that the change of conditions would make the revision necessarily downward—and that, I contend, under the showing which I have made, has been the result of the Payne bill. I did not agree, nor did the Republican party agree, that we would reduce rates to such a point as to reduce prices by the introduction of foreign competition. That is what the free traders desire. That is what the revenue tariff reformers desire; but that is not what the Republican platform promised, and it is not what the Republican party wished to bring about. To repeat the statement with which I opened this speech, the proposition of the Republican party was to reduce rates so as to maintain a difference between the cost of production abroad and the cost of production here, insuring a reasonable profit to the manufacturer on all articles produced in this country; and the proposition to reduce rates and prevent their being excessive was to avoid the opportunity for monopoly and the suppression of competition, so that the excessive rates could be taken advantage of to force prices up.

Now, it is said that there was not a reduction in a number of the schedules where there should have been. It is said that there was no reduction in the cotton schedule. There was not. The House and the Senate took evidence and found from cotton manufacturers and from other sources that the rates upon the lower class of cottons were such as to enable them to make a decent profit—but only a decent profit—and they were contented with it; but that the rates on the higher grades of cotton cloth, by reason of court decisions, had been reduced so that they were considerably below those of the cheaper grades of cotton cloth, and that by undervaluations and otherwise the whole cotton schedule had been made unjust and the various items were disproportionate in respect to the varying cloths. Hence, in the Senate a new system was introduced attempting to make the duties more specific rather than ad valorem, in order to prevent by judicial decision or otherwise a disproportionate and unequal operation of the schedule. Under this schedule it was contended that there had been a general rise of all the duties on cotton. This was vigorously denied by the experts of the Treasury Department. At last, the Senate in conference consented to a reduction amounting to about 10 per cent. on all the lower grades of cotton and thus reduced the lower grades substantially to the same rates as before and increased the higher grades to what they ought to be under the Dingley law and what they were intended to be. Now, I am not going into the question of evidence as to whether the cotton duties were too high and whether the difference between the cost of production abroad and at home, allowing only a reasonable profit to the manufacturer here, is less than the duties which are imposed under the Payne bill. It was a question of evidence which Congress passed upon, after they heard the statements of cotton manufacturers and such other evidence as they could avail themselves of. I agree that the method of taking evidence and the determination was made in a general way, and that there ought to be other methods of obtaining evidence and reaching a conclusion more satisfactory.

Criticism has also been made of the crockery schedule and the failure to reduce that. The question whether it ought to have been reduced or not was a question of evidence which both committees of Congress took up, and both concluded that the present rates on crockery were such as were needed to maintain the business in this country. I had been informed that the crockery schedule was not high enough, and mentioned that in one of my campaign speeches as a schedule probably where there ought to be some increases. It turned out that the difficulty was rather in undervaluations than in the character of the schedule itself, and so it was not changed. It is entirely possible to collect evidence to attack almost any of the schedules, but one story is good until another is told, and I have heard no reason for sustaining the contention that the crockery schedule is unduly high. So with respect to numerous details—items of not great importance—in which, upon what they regarded as sufficient evidence, the committee advanced the rates in order to save a business which was likely to be destroyed.

I have never known a subject that will evoke so much contradictory evidence as the question of tariff rates and the question of cost of production at home and abroad. Take the subject of paper. A committee was appointed by Congress a year before the tariff sittings began, to determine what the difference was between the cost of production in Canada of print paper and the cost of production here, and they reported that they thought that a good bill would be one imposing $2 a ton on paper, rather than $6, the Dingley rate, provided that Canada could be induced to take off the export duties and remove the other obstacles to the importation of spruce wood in this country out of which wood pulp is made. An examination of the evidence satisfied Mr. Payne—I believe it satisfied some of the Republican dissenters—that $2, unless some change was made in the Canadian restrictions upon the exports of wood to this country, was much too low, and that $4 was only a fair measure of the difference between the cost of production here and in Canada. In other words, the $2 found by the special committee in the House was rather an invitation to Canada and the Canadian print-paper people to use their influence with their government to remove the wood restrictions by reducing the duty on print paper against Canadian print-paper mills. It was rather a suggestion of a diplomatic nature than a positive statement of the difference in actual cost of production under existing conditions between Canada and the United States.

There are other subjects which I might take up. The tariff on hides was taken off because it was thought that it was not necessary in view of the high price of cattle thus to protect the man who raised them, and that the duty imposed was likely to throw the control of the sale of hides into the hands of the meat packers in Chicago. In order to balance the reduction on hides, however, there was a great reduction in shoes, from 25 to 10 per cent.; on sole leather, from 20 to 5 per cent.; on harness, from 45 to 20 per cent. So there was a reduction in the duty on coal of 33⅓ per cent. All countervailing duties were removed from oil, naphtha, gasoline, and its refined products. Lumber was reduced from $2 to $1.25; and these all on articles of prime necessity. It is said that there might have been more. But there were many business interests in the South, in Maine, along the border, and especially in the far Northwest, which insisted that it would give great advantage to Canadian lumber if the reduction were made more than 75 cents. Mr. Pinchot, the Chief Forester, thought that it would tend to make better lumber in this country if a duty were retained on it. The lumber interests thought that $2 was none too much, but the reduction was made and the compromise effected. Personally I was in favor of free lumber, because I did not think that if the tariff was taken off there would be much suffering among the lumber interests. But in the controversy the House and Senate took a middle course, and who can say they were not justified.

With respect to the wool schedule, I agree that it probably represents considerably more than the difference between the cost of production abroad and the cost of production here. The difficulty about the woolen schedule is that there were two contending factions early in the history of Republican tariffs, to wit, woolgrowers and the woolen manufacturers, and that finally, many years ago, they settled on a basis by which wool in the grease should have 11 cents a pound, and by which allowance should be made for the shrinkage of the washed wool in the differential upon woolen manufactures. The percentage of duty was very heavy—quite beyond the difference in the cost of production, which was not then regarded as a necessary or proper limitation upon protective duties.

When it came to the question of reducing the duty at this hearing in the tariff bill on wool, Mr. Payne, in the House, and Mr. Aldrich, in the Senate, although both favored reduction in the schedule, found that in the Republican party the interests of the woolgrowers of the Far West and the interests of the woolen manufacturers in the East and in other States, reflected through their representatives in Congress, was sufficiently strong to defeat any attempt to change the woolen tariff, and that had it been attempted it would have beaten the bill reported from either committee. I am sorry this is so, and I could wish that it had been otherwise. It is the one important defect in the present Payne tariff bill and in the performance of the promise of the platform to reduce rates to a difference in the cost of production, with reasonable profit to the manufacturer. That it will increase the price of woolen cloth or clothes, I very much doubt. There have been increases by the natural product, but this was not due to the tariff, because the tariff was not changed. The increase would, therefore, have taken place whether the tariff would have been changed or not. The cost of woolen cloths behind the tariff wall, through the effect of competition, has been greatly less than the duty, if added to the price, would have made it.

There is a complaint now by the woolen clothiers and by the carded woolen people of this woolen schedule. They have honored me by asking in circulars sent out by them that certain questions be put to me in respect to it, and asking why I did not veto the bill in view of the fact that the woolen schedule was not made in accord with the platform. I ought to say in respect to this point that all of them in previous tariff bills were strictly in favor of maintaining the woolen schedule as it was. The carded woolen people are finding that carded wools are losing their sales because they are going out of style. People prefer worsteds. The clothing people who are doing so much circularizing were contented to let the woolen schedule remain as it was until very late in the tariff discussion, long after the bill had passed the

House, and, indeed, they did not grow very urgent until the bill had passed the Senate. This was because they found that the price of woolen cloth was going up, and so they desired to secure reduction in the tariff which would enable them to get cheaper material. They themselves are protected by a large duty, and I can not with deference to them ascribe their intense interest only to a deep sympathy with the ultimate consumers, so-called. But, as I have already said, I am quite willing to admit that allowing the woolen schedule to remain where it is, is not a compliance with the terms of the platform as I interpret it and as it is generally understood.

On the whole, however, I am bound to say that I think the Payne tariff bill is the best tariff bill that the Republican party ever passed; that in it the party has conceded the necessity for following the changed conditions and reducing tariff rates accordingly. This is a substantial achievement in the direction of lower tariffs and downward revision, and it ought to be accepted as such. Critics of the bill utterly ignore the very tremendous cuts that have been made in the iron schedule, which heretofore has been subject to criticism in all tariff bills. From iron ore, which was cut 75 per cent., to all the other items as low as 20 per cent., with an average of something like 40 or 50 per cent., that schedule has been reduced so that the danger of increasing prices through a monopoly of the business is very much lessened, and that was the chief purpose of revising the tariff downward under Republican protective principles. The severe critics of the bill pass this reduction in the metal schedule with a sneer, and say that the cut did not hurt the iron interests of the country. Well, of course it did not hurt them. It was not expected to hurt them. It was expected only to reduce excessive rates, so that business should still be conducted at a profit, and the very character of the criticism is an indication of the general injustice of the attitude of those who make it, in assuming that it was the promise of the Republican party to hurt the industries of the country by the reductions which they were to make in the tariff, whereas it expressly indicated as plainly as possible in the platform that all of the industries were to be protected against injury by foreign competition, and the promise only went to the reduction of excessive rates beyond what was necessary to protect them.

The high cost of living, of which 50 per cent. is consumed in food, 25 per cent. in clothing, and 25 per cent. in rent and fuel, has not been produced by the tariff, because the tariff has remained the same while the increases have gone on. It is due to the change of conditions the world over. Living has increased everywhere in cost—in countries where there is free trade and in countries where there is protection—and that increase has been chiefly seen in the cost of food products. In other words, we have had to pay more for the products of the farmer, for meat, for grain, for everything that enters into food. Now, certainly no one will contend that protection has increased the cost of food in this country, when the fact is that we have been the greatest exporters of food products in the world. It is only that the demand has increased beyond the supply, that farm lands have not been opened as rapidly as the population, and the demand has increased. I am not saying that the tariff does not increase prices in clothing and in building and in other items that enter into the necessities of life, but what I wish to emphasize is that the recent increases in the cost of living in this country have not been due to the tariff. We have a much higher standard of living in this country than they have abroad, and this has been made possible by higher income for the workingman, the farmer, and all classes. Higher wages have been made possible by the encouragement of diversified industries, built up and fostered by the tariff.

Now, the revision downward of the tariff that I have favored will not, I hope, destroy the industries of the country. Certainly it is not intended to. All that it is intended to do, and that is what I wish to repeat, is to put the tariff where it will protect industries here from foreign competition, but will not enable those who will wish to monopolize to raise prices by taking advantage of excessive rates beyond the normal difference in the cost of production.

If the country desires free trade, and the country desires a revenue tariff and wishes the manufacturers all over the country to go out of business, and to have cheaper prices at the expense of the sacrifice of many of our manufacturing interests, then it ought to say so and ought to put the Democratic party in power if it thinks that party can be trusted to carry out any affirmative policy in favor of a revenue tariff. Certainly in the discussions in the Senate there was no great manifestation on the part of our Democratic friends in favor of reducing rates on necessities. They voted to maintain the tariff rates on everything that came from their particular sections. If we are to have free trade, certainly it can not be had through the maintenance of Republican majorities in the Senate and House and a Republican administration.

And now the question arises, what was the duty of a Member of Congress who believed in a downward revision greater than that which has been accomplished, who thought that the wool schedules ought to be reduced, and that perhaps there were other respects in which the bill could be improved? Was it his duty because, in his judgment, it did not fully and completely comply with the promises of the party platform as he interpreted it, and indeed as I had interpreted it, to vote against the bill? I am here to justify those who answer this question in the negative. Mr. Tawney was adownward revisionist like myself. He is a low-tariff man, and has been known to be such in Congress all the time he has been there. He is a prominent Republican, the head of the Appropriations Committee, and when a man votes as I think he ought to vote, and an opportunity such as this presents itself, I am glad to speak in behalf of what he did, not in defense of it, but in support of it.

This is a government by a majority of the people. It is a representative government. People select some 400 members to constitute the lower House and some 92 members to constitute the upper House through their legislatures, and the varying views of a majority of the voters in eighty or ninety millions of people are reduced to one resultant force to take affirmative steps in carrying on a government by a system of parties. Without parties popular government would be absolutely impossible. In a party, those who join it, if they would make it effective, must surrender their personal predilections on matters comparatively of less importance in order to accomplish the good which united action on the most important principles at issue secures.

Now, I am not here to criticise those Republican Members and Senators whose views on the subject of the tariff were so strong and intense that they believed it their duty to vote against their party on the tariff bill. It is a question for each man to settle for himself. The question is whether he shall help maintain the party solidarity for accomplishing its chief purposes, or whether the departure from principle in the bill as he regards it is so extreme that he must in conscience abandon the party. All I have to say is, in respect to Mr. Tawney's action, and in respect to my own in signing the bill, that I believed that the interests of the country, the interests of the party, required me to sacrifice the accomplishment of certain things in the revision of the tariff which I had hoped for, in order to maintain party solidarity, which I believe to be much more important than the reduction of rates in one or two schedules of the tariff. Had Mr. Tawney voted against the bill, and there had been others of the House sufficient in number to have defeated the bill, or if I had vetoed the bill because of the absence of a reduction of rates in the wool schedule, when there was a general downward revision, and a substantial one though not a complete one, we should have left the party in a condition of demoralization that would have prevented the accomplishment of purposes and a fulfillment of other promises which we had made just as solemnly as we had entered into that with respect to the tariff. When I could say without hesitation that this is the best tariff bill that the Republican party has ever passed, and therefore the best tariff bill that has been passed at all, I do not feel that I could have reconciled any other course to my conscience than that of signing the bill, and I think Mr. Tawney feels the same way. Of course, if I had vetoed the bill I would have received the applause of many Republicans who may be called low-tariff Republicans, and who think deeply on that subject, and of all the Democracy. Our friends the Democrats would have applauded, and then laughed in their sleeve at the condition in which the party would have been left; but, more than this, and waiving considerations of party, where would the country have been had the bill been vetoed, or been lost by a vote? It would have left the question of the revision of the tariff open for further discussion during the next session. It would have suspended the settlement of all our business down to a known basis upon which prosperity could proceed and investments be made, and it would have held up the coming of prosperity to this country certainly for a year and probably longer. These are the reasons why I signed it.

But there are additional reasons why the bill ought not to have been beaten. It contained provisions of the utmost importance in the interest of this country in dealing with foreign countries and in the supplying of a deficit which under the Dingley bill seemed inevitable. There has been a disposition in some foreign countries taking advantage of greater elasticity in their systems of imposing tariffs and of making regulations to exclude our products and exercise against us undue discrimination. Against these things we have been helpless, because it required an act of Congress to meet the difficulties. It is now proposed by what is called the maximum and minimum clause, to enable the President to allow to come into operation a maximum or penalizing increase of duties over the normal or minimum duties whenever in his opinion the conduct of the foreign countries has been unduly discriminatory against the United States. It is hoped that very little use may be required of this clause, but its presence in the law and the power conferred upon the Executive, it is thought, will prevent in the future such undue discriminations. Certainly this is most important to our exporters of agricultural products and manufactures.

Second. We have imposed an excise tax upon corporations measured by 1 per cent. upon the net income of all corporations except fraternal and charitable corporations after exempting $5,000. This, it is thought, will raise an income of 26 to 30 millions of dollars, will supply the deficit which otherwise might arise without it, and will bring under federal supervision more or less all the corporations of the country. The inquisitorial provisions of the act are mild but effective, and certainly we may look not only for a revenue but for some most interesting statistics and the means of obtaining supervision over corporate methods that has heretofore not obtained.

Then, we have finally done justice to the Philippines. We have introduced free trade between the Philippines and the United States, and we have limited the amount of sugar and the amount of tobacco and cigars that can be introduced from the Philippines to such a figure as shall greatly profit the Philippines and yet in no way disturb the products of the United States or interfere with those engaged in the tobacco or sugar interests here. These features of the bill were most important, and the question was whether they were to be sacrificed because the bill did not in respect to wool and woolens and in some few other matters meet our expectations. I do not hesitate to repeat that I think it would have been an unwise sacrifice of the business interests of the country, it would have been an unwise sacrifice of the solidarity, efficiency, and promise-performing power of the party, to have projected into the next session another long discussion of the tariff, and to have delayed or probably defeated the legislation needed in the improvement of our interstate commerce regulation, and in making more efficient our antitrust law and the prosecutions under it. Such legislation is needed to clinch the Roosevelt policies, by which corporations and those in control of them shall be limited to a lawful path and shal be prevented from returning to those abuses which a recurrence of prosperity is too apt to bring about unless definite, positive steps of a legislative character are taken to mark the lines of honest and lawful corporate management.

Now, there is another provision in the new tariff bill that I regard as of the utmost importance. It is a provision which appropriates $75,000 for the President to employ persons to assist him in the execution of the maximum and minimum tariff clause and in the administration of the tariff law. Under that authority, I conceive that the President has the right to appoint a board, as I have appointed it, who shall associate with themselves, and have under their control, a number of experts who shall address themselves, first, to the operation of foreign tariffs upon the exports of the United States, and then to the operation of the United States tariff upon imports and exports. There are provisions in the general tariff procedure for the ascertainment of the cost of production of articles abroad and the cost of production of articles here. I intend to direct the board in the course of these duties and in carrying them out, in order to assist me in the administration of the law, to make what might be called a glossary of the tariff, or a small encyclopedia of the tariff, or something to be compared to the United States Pharmacopœia with reference to information as to drugs and medicines. I conceive that such a board may very properly, in the course of their duties, take up separately all the items of the tariff, both those on the free list and those which are dutiable, describe what they are, where they are manufactured, what their uses are, the methods of manufacture, the cost of production abroad and here, and every other fact with respect to each item which would enable the Executive to understand the operation of the tariff, the value of the article, and the amount of duty imposed, and all those details which the student of every tariff law finds it so difficult to discover. I do not intend, unless compelled or directed by Congress, to publish the result of these investigations, but to treat them merely as incidental facts brought out officially from time to time, and as they may be ascertained and put on record in the department, there to be used when they have all been accumulated and are sufficiently complete to justify executive recommendation based on them. Now, I think it is utterly useless, as I think it would be greatly distressing to business, to talk of another revision of the tariff during the present Congress. I should think that it would certainly take the rest of this administration to accumulate the data upon which a new and proper revision of the tariff might be had. By that time the whole Republican party can express itself again in respect to the matter and bring to bear upon its Representatives in Congress that sort of public opinion which shall result in solid party action. I am glad to see that a number of those who thought it their duty to vote against the bill insist that they are still Republicans and intend to carry on their battle in favor of lower duties and a lower revision within the lines of the party. That is their right and, in their view of things, is their duty.

It is vastly better that they should seek action of the party than that they should break off from it and seek to organize another party, which would probably not result in accomplishing anything more than merely defeating our party and inviting in the opposing party, which does not believe, or says that it does not believe, in protection. I think that we ought to give the present bill a chance. After it has been operating for two or three years, we can tell much more accurately than we can to-day its effect upon the industries of the country and the necessity for any amendment in its provisions.

I have tried to state as strongly as I can, but not more strongly than I think the facts justify, the importance of not disturbing the business interests of this country by an attempt in this Congress or the next to make a new revision; but meantime I intend, so far as in me lies, to secure official data upon the operation of the tariff, from which, when a new revision is attempted, exact facts can be secured.

I have appointed a tariff board that has no brief for either side in respect to what the rates shall be. I hope they will make their observations and note their data in their record with exactly the same impartiality and freedom from anxiety as to result with which the Weather Bureau records the action of the elements or any scientific bureau of the Government records the results of its impartial investigations. Certainly the experience in this tariff justifies the statement that no revision should hereafter be attempted in which more satisfactory evidence of an impartial character is not secured.

I am sorry that I am not able to go into further detail with respect to the tariff bill, but I have neither the information nor the time in which to do it. I have simply stated the case as it seemed to Mr. Tawney in his vote and as it seemed to me in my signing the bill.

FIRST ANNUAL MESSAGE

THE WHITE HOUSE, *December 7, 1909.*

To the Senate and House of Representatives:

The relations of the United States with all foreign governments have continued upon the normal basis of amity and good understanding, and are very generally satisfactory.

EUROPE.

Pursuant to the provisions of the general treaty of arbitration concluded between the United States and Great Britain, April 4, 1908, a special agreement was entered into between the two countries on January 27, 1909, for the submission of questions relating to the fisheries on the North Atlantic Coast to a tribunal to be formed from members of the Permanent Court of Arbitration at The Hague.

In accordance with the provisions of the special agreement the printed case of each Government was, on October 4 last, submitted to the other and to the Arbitral Tribunal at The Hague, and the counter case of the United States is now in course of preparation.

The American rights under the fisheries article of the Treaty of 1818 have been a cause of difference between the United States and Great Britain for nearly seventy years. The interests involved are of great importance to the American fishing industry, and the final settlement of the controversy will remove a source of constant irritation and complaint. This is the first case involving such great international questions which has been submitted to the Permanent Court of Arbitration at The Hague.

The treaty between the United States and Great Britain concerning the Canadian International boundary, concluded April 11, 1908, authorizes the appointment of two commissioners to define and mark accurately the international boundary line between the United States and the Dominion of Canada in the waters of the Passamaquoddy Bay, and provides for the exchange of briefs within the period of six months. The briefs were duly presented within the prescribed period, but as the commissioners failed to agree within six months after the exchange of the printed statements, as required by the treaty, it has now become necessary to resort to the arbitration provided for in the article.

The International Fisheries Commission appointed pursuant to and under the authority of the Convention of April 11, 1908, between the United States and Great Britain, has completed a system of uniform and common international regulations for the protection and preservation of the food fishes in international boundary waters of the United States and Canada.

The regulations will be duly submitted to Congress with a view to the enactment of such legislation as will be necessary under the convention to put them into operation.

The Convention providing for the settlement of international differences between the United States and Canada, including the apportionment between the two countries of certain of the boundary waters and the appointment of commissioners to adjust certain other questions, signed on the 11th day of January, 1909, and to the ratification of which the Senate gave its advice and consent on March 3, 1909, has not yet been ratified on the part of Great Britain.

Commissioners have been appointed on the part of the United States to act jointly with Commissioners on the part of Canada in examining into the question of obstructions in the St. John River between Maine and New Brunswick, and to make recommendations for the regulation of the uses thereof, and are now engaged in this work.

Negotiations for an international conference to consider and reach an arrangement providing for the preservation and protection of the fur seals in the North Pacific are in progress with the Governments of Great Britain, Japan, and Russia. The attitude of the Governments interested leads me to hope for a satisfactory settlement of this question as the ultimate outcome of the negotiations.

The Second Peace Conference recently held at The Hague adopted a convention for the establishment of an International Prize Court upon the joint proposal of delegations of the United States, France, Germany and Great Britain. The law to be observed by the Tribunal in the decision of prize cases was, however, left in an uncertain and therefore unsatisfactory state. Article 7 of the Convention provided that the Court was to be governed by the provisions of treaties existing between the belligerents, but that "in the absence of such provisions, the court shall apply the rules of international law. If no generally recognized rule exists, the court shall give judgment in accordance with the general principles of justice and equity." As, however, many questions in international maritime law are understood differently and therefore interpreted differently in various countries, it was deemed advisable not to intrust legislative powers to the proposed court, but to determine the rules of law properly applicable in a Conference of the representative maritime nations. Pursuant to an invitation of Great Britain a conference was held at London from December 2, 1908, to February 26, 1909, in which the following Powers participated: the United States, Austria-Hungary, France, Germany, Great Britain, Italy, Japan, the Netherlands, Russia and Spain. The conference resulted in the Declaration of London, unanimously agreed to and signed by the participating Powers, concerning among other matters, the highly important subjects of blockade, contraband, the destruction of neutral prizes, and continuous voyages.

The declaration of London is an eminently satisfactory codification of the international maritime law, and it is hoped that its reasonableness and fairness will secure its general adoption, as well as remove one of the difficulties standing in the way of the establishment of an International Prize Court.

Under the authority given in the sundry civil appropriation act, approved March 4, 1909, the United States was represented at the International Conference on Maritime Law at Brussels. The Conference met on the 28th of September last and resulted in the signature *ad referendum* of a convention for the unification of certain regulations with regard to maritime assistance and salvage and a convention for the unification of certain rules with regard to collisions at sea.

Two new projects of conventions which have not heretofore been considered in a diplomatic conference, namely, one concerning the limitation of the responsibility of shipowners, and the other concerning marine mortgages and privileges, have been submitted by the Conference to the different governments.

The Conference adjourned to meet again on April 11, 1910.

The International Conference for the purpose of promoting uniform legislation concerning letters of exchange, which was called by the Government of the Netherlands to meet at The Hague in September, 1909, has been postponed to meet at that capital in June, 1910. The United States will be appropriately represented in this Conference under the provision therefor already made by Congress.

The cordial invitation of Belgium to be represented by a fitting display of American progress in the useful arts and inventions at the World's Fair to be held at Brussels in 1910 remains to be acted upon by the Congress. Mindful of the advantages to accrue to our artisans and producers in competition with their Continental rivals, I renew the recommendation heretofore made that provision be made for acceptance of the invitation and adequate representation in the Exposition.

The question arising out of the Belgian annexation of the Independent State of the Congo, which has so long and earnestly preoccupied the attention of this Government and enlisted the sympathy of our best citizens, is still open, but in a more hopeful stage. This Government was among the foremost in the great work of uplifting the uncivilized regions of Africa and urging the extension of the benefits of civilization, education, and fruitful open commerce to that vast domain, and is a party to treaty engagements of all the interested powers designed to carry out that great duty to humanity. The way to better the original and adventitious conditions, so burdensome to the natives and so destructive to their development, has been pointed out, by observation and experience, not alone of American representatives, but by cumulative evidence from all quarters and by the investigations of Belgian Agents. The announced programmes of reforms, striking at many of the evils known to exist, are an augury of better things. The attitude of the United States is one of benevolent encouragement, coupled with a hopeful trust that the good work, responsibly undertaken and zealously perfected to the accomplishment of the results so ardently desired, will soon justify the wisdom that inspires them and satisfy the demands of humane sentiment throughout the world.

A convention between the United States and Germany, under which the nonworking provisions of the German patent law are made inapplicable to the patents of American citizens, was concluded on February 23, 1909, and is now in force. Negotiations for similar conventions looking to the placing of American inventors on the same footing as nationals have recently been initiated with other European governments whose laws require the local working of foreign patents.

Under an appropriation made at the last session of the Congress, a commission was sent on American cruisers to Monrovia to investigate the interests of the United States and its citizens in Liberia. Upon its arrival at Monrovia the commission was enthusiastically received, and during its stay in Liberia was everywhere met with the heartiest expressions of good will for the American Government and people and the hope was repeatedly expressed on all sides that this Government might see its way clear to do something to relieve the critical position of the Republic arising in a measure from external as well as internal and financial embarrassments.

The Liberian Government afforded every facility to the Commission for ascertaining the true state of affairs. The Commission also had conferences with representative citizens, interested foreigners and the representatives of foreign governments in Monrovia. Visits were made to various parts of the Republic and to the neighboring British colony of Sierra Leone, where the Commission was received by and conferred with the Governor.

It will be remembered that the interest of the United States in the Republic of Liberia springs from the historical fact of the foundation of the Republic by the colonization of American citizens of the African race. In an early treaty with Liberia there is a provision under which the United States may be called upon for advice or assistance. Pursuant to this provision and in the spirit of the moral relationship of the United States to Liberia, that Republic last year asked this Government to lend assistance in the solution of certain of their national problems, and hence the Commission was sent.

The report of our commissioners has just been completed and is now under examination by the Department of State. It is hoped that there may result some helpful measures, in which case it may be my duty again to invite your attention to this subject.

The Norwegian Government, by a note addressed on January 26, 1909, to the Department of State, conveyed an invitation to the Government of the United States to take part in a conference which it is understood will be held in February or March, 1910, for the purpose of devising means to remedy existing conditions in the Spitzbergen Islands.

This invitation was conveyed under the reservation that the question of altering the status of the islands as countries belonging to no particular State, and as equally open to the citizens and subjects of all States, should not be raised.

The European Powers invited to this Conference by the Government of Norway were Belgium, Denmark, France, Germany, Great Britain, Russia, Sweden and the Netherlands.

The Department of State, in view of proofs filed with it in 1906, showing the American possession, occupation, and working of certain coal-bearing lands in Spitzbergen, accepted the invitation under the reservation above stated, and under the further reservation that all interests in those islands already vested should be protected and that there should be equality of opportunity for the future. It was further pointed out that membership in the Conference on the part of the United States was qualified by the consideration that this Government would not become a signatory to any conventional arrangement concluded by the European members of the Conference which would imply contributory participation by the United States in any obligation or responsibility for the enforcement of any scheme of administration which might be devised by the Conference for the islands.

THE NEAR EAST.

His Majesty Mehmed V, Sultan of Turkey, recently sent to this country a special embassy to announce his accession. The quick transition of the Government of the Ottoman Empire from one of retrograde tendencies to a constitutional government with a Parliament and with progressive modern policies of reform and public improvement is one of the important phenomena of our times. Constitutional government seems also to have made further advance in Persia. These events have turned the eyes of the world upon the Near East. In that quarter the prestige of the United States has spread widely through the peaceful influence of American schools, universities and missionaries. There is every reason why we should obtain a greater share of the commerce of the Near East since the conditions are more favorable now than ever before.

LATIN AMERICA.

One of the happiest events in recent Pan-American diplomacy was the pacific, independent settlement by the Governments of Bolivia and Peru of a boundary difference between them, which for some weeks threatened to cause war and even to entrain embitterments affecting other republics less directly concerned. From various quarters, directly or indirectly concerned, the intermediation of the United States was sought to assist in a solution of the controversy. Desiring at all times to abstain from any undue mingling in the affairs of sister republics and having faith in the ability of the Governments of Peru and Bolivia themselves to settle their differences in a manner staisfactory to themselves which, viewed with magnanimity, would assuage all embitterment, this Government steadily abstained from being drawn into the controversy and was much gratified to find its confidence justified by events.

On the 9th of July next there will open at Buenos Aires the Fourth Pan-American Conference. This conference will have a special meaning to the hearts of all Americans, because around its date are clustered the anniversaries of the independence of so many of the American republics. It is not necessary for me to remind the Congress of the political, social and commercial importance of these gatherings. You are asked to make liberal appropriation for our participation. If this be granted, it is my purpose to appoint a distinguished and representative delegation, qualified fittingly to represent this country and to deal with the problems of intercontinental interest which will there be discussed.

The Argentine Republic will also hold from May to November, 1910, at Buenos Aires, a great International Agricultural Exhibition in which the United States has been invited to participate. Considering the rapid growth of the trade of the United States with the Argentine Republic and the cordial relations existing between the two nations, together with the fact that it provides an opportunity to show deference to a sister republic on the occasion of the celebration of its national independence, the proper Departments of this Government are taking steps to apprise the interests concerned of the opportunity afforded by this Exhibition, in which appropriate participation by this country is so desirable. The designation of an official representative is also receiving consideration.

To-day, more than ever before, American capital is seeking investment in foreign countries, and American products are more and more generally seeking foreign markets. As a consequence, in all countries there are American citizens and American interests to be protected, on occasion, by their Government. These movements of men, of capital, and of commodities bring peoples and governments closer together and so form bonds of peace and mutual dependency, as they must also naturally sometimes make passing points of friction. The resultant situation inevitably imposes upon this Government vastly increased responsibilities. This Administration, through the Department of State and the foreign service, is lending all proper support to legitimate and beneficial American enterprises in foreign countries, the degree of such support being measured by the national advantages to be expected. A citizen himself can not by contract or otherwise divest himself of the right, nor can this Government escape the obligation, of his protection in his personal and property rights when these are unjustly infringed in a foreign country. To avoid ceaseless vexations it is proper that in considering whether American enterprise should be encouraged or supported in a particular country, the Government should give full weight not only to the national, as opposed to the individual benefits to accrue, but also to the fact whether or not the Government of the country in question is in its administration and in its diplomacy faithful to the principles of moderation, equity and justice upon which alone depend international credit, in diplomacy as well as in finance.

The Pan-American policy of this Government has long been fixed in its principles and remains unchanged. With the changed circumstances of the United States and of the Republics to the south of us, most of which have great natural resources, stable government and progressive ideals, the apprehension which gave rise to the Monroe Doctrine may be said to have nearly disappeared, and neither the doctrine as it exists nor any other doctrine of American policy should be permitted to operate for the perpetuation of irresponsible government, the escape of just obligations, or the insidious allegation of dominating ambitions on the part of the United States.

Beside the fundamental doctrines of our Pan-American policy there have grown up a realization of political interests, community of institutions and ideals, and a flourishing commerce. All these bonds will be greatly strengthened as time goes on and increased facilities, such as the great bank soon to be established in Latin America, supply the means for building up the colossal intercontinental commerce of the future.

My meeting with President Diaz and the greeting exchanged on both American and Mexican soil served, I hope, to signalize the close and cordial relations which so well bind together this Republic and the great Republic immediately to the south, between which there is so vast a network of material interests.

I am happy to say that all but one of the cases which for so long vexed our relations with Venezuela have been settled within the past few months and that, under the enlightened régime now directing the Government of Venezuela, provision has been made for arbitration of the remaining case before The Hague Tribunal.

On July 30, 1909, the Government of Panama agreed, after considerable negotiation, to indemnify the relatives of the American officers and sailors who were brutally treated, one of them having, indeed, been killed by the Panaman police this year.

The sincere desire of the Government of Panama to do away with a situation where such an accident could occur is manifest in the recent request in compliance with which this Government has lent the services of an officer of the Army to be employed by the Government of Panama as Instructor of Police.

The sanitary improvements and public works undertaken in Cuba prior to the present administration of that Government, in the success of which the United States is interested under the treaty, are reported to be making good progress and since the Congress provided for the continuance of the reciprocal commercial arrangement between Cuba and the United States assurance has been received that no negotiations injuriously affecting the situation will be undertaken without consultation.

The collection of the customs of the Dominican Republic through the general receiver of customs appointed by the President of the United States in accordance with the convention of February 8, 1907, has proceeded in an uneventful and satisfactory manner. The customs receipts have decreased owing to disturbed political and economic conditions and to a very natural curtailment of imports in view of the anticipated revision of the Dominican tariff schedule.

The payments to the fiscal agency fund for the service of the bonded debt of the Republic, as provided by the convention, have been regularly and promptly made, and satisfactory progress has been made in carrying out the provisions of the convention looking towards the completion of the adjustment of the debt and the acquirement by the Dominican Government of certain concessions and monopolies which have been a burden to the commerce of the country. In short, the receivership has demonstrated its ability, even under unfavorable economic and political conditions, to do the work for which it was intended.

This Government was obliged to intervene diplomatically to bring about arbitration or settlement of the claim of the Emery Company against Nicaragua, which it had long before been agreed should be arbitrated. A settlement of this troublesome case was reached by the signature of a protocol on September 18, 1909.

Many years ago diplomatic intervention became necessary to the protection of the interests in the American claim of Alsop and Company against the Government of Chile. The Government of Chile had frequently admitted obligation in the case and had promised this Government to settle. There had been two abortive attempts to do so through arbitral commissions, which failed through lack of jurisdiction. Now, happily, as the result of the recent diplomatic negotiations, the Governments of the United States and of Chile, actuated by the sincere desire to free from any strain those cordial and friendly relations upon which both set such store, have agreed by a protocol to submit the controversy to definitive settlement by His Britannic Majesty, Edward VII.

Since the Washington Conventions of 1907 were communicated to the Government of the United States as a consulting and advising party, this Government has been almost continuously called upon by one or another, and in turn by all the five Central American Republics, to exert itself for the maintenance of the Conventions. Nearly every complaint has been against the Zelaya Government of Nicaragua, which has kept Central America in constant tension or turmoil. The responses made to the representations of Central American Republics, as due from the United States on account of its relation to the Washington Conventions, have been at all times conservative and have avoided, so far as possible, any semblance of interference, although it is very apparent that the considerations of geographic proximity to the Canal Zone and of the very substantial American interests in Central America give to the United States a special position in the zone of these Republics and the Caribbean Sea.

I need not rehearse here the patient efforts of this Government to promote peace and welfare among these Republics, efforts which are fully appreciated by the majority of them who are loyal to their true interests. It would be no less unnecessary to rehearse here the sad tale of unspeakable barbarities and oppression alleged to have been committed by the Zelaya Government. Recently two Americans were put to death by order of President Zelaya himself. They were reported to have been regularly commissioned officers in the organized forces of a revolution which had continued many weeks and was in control of about half of the Republic, and as such, according to the modern enlightened practice of civilized nations, they were entitled to be dealt with as prisoners of war.

At the date when this message is printed this Government has terminated diplomatic relations with the Zelaya Government, for reasons made public in a communication to the former Nicaraguan chargé d'affaires, and is intending to take such future steps as may be found most consistent with its dignity, its duty to American interests, and its moral obligations to Central America and to civilization. It may later be necessary for me to bring this subject to the attention of the Congress in a special message.

The International Bureau of American Republics has carried on an important and increasing work during the last year. In the exercise of its peculiar functions as an international agency, maintained by all the American Republics for the development of Pan-American commerce and friendship, it has accomplished a great practical good which could be done in the same way by no individual department or bureau of one government, and is therefore deserving of your liberal support. The fact that it is about to enter a new building, erected through the munificence of an American philanthropist and the contributions of all the American nations, where both its efficiency of administration and expense of maintenance will naturally be much augmented, further entitles it to special consideration.

THE FAR EAST.

In the Far East this Government preserves unchanged its policy of supporting the principle of equality of opportunity and scrupulous respect for the integrity of the Chinese Empire, to which policy are pledged the interested Powers of both East and West.

By the Treaty of 1903 China has undertaken the abolition of likin with a moderate and proportionate raising of the customs tariff along with currency reform. These reforms being of manifest advantage to foreign commerce as well as to the interests of China, this Government is endeavoring to facilitate these measures and the needful acquiescence of the treaty Powers. When it appeared that Chinese likin revenues were to be hypothecated to foreign bankers in connection with a great railway project, it was obvious that the Governments whose nationals held this loan would have a certain direct interest in the question of the carrying out by China of the reforms in question. Because this railroad loan represented a practical and real application of the open door policy through cooperation with China by interested Powers as well as because of its relations to the reforms referred to above, the Administration deemed American participation to be of great national interest. Happily, when it was as a matter of broad policy urgent that this opportunity should not be lost, the indispensable instrumentality presented itself when a group of American bankers, of international reputation and great resources, agreed at once to share in the loan upon precisely such terms as this Government should approve. The chief of those terms was that American railway material should be upon an exact equality with that of the other nationals joining in the loan in the placing of orders for this whole railroad system. After months of negotiation the equal participation of Americans seems at last assured. It is gratifying that Americans will thus take their share in this extension of these great highways of trade, and to believe that such activities will give a real impetus to our commerce and will prove a practical corollary to our historic policy in the Far East.

The Imperial Chinese Government in pursuance of its decision to devote funds from the portion of the indemnity remitted by the United States to the sending of students to this country has already completed arrangements for carrying out this purpose, and a considerable body of students have arrived to take up their work in our schools and universities. No one can doubt the happy effect that the associations formed by these representative young men will have when they return to take up their work in the progressive development of their country.

The results of the Opium Conference held at Shanghai last spring at the invitation of the United States have been laid before the Government. The report shows that China is making remarkable progress and admirable efforts toward the eradication of the opium evil and that the Governments concerned have not allowed their commercial interests to interfere with a helpful cooperation in this reform. Collateral investigations of the opium question in this country lead me to recommend that the manufacture, sale and use of opium and its derivatives in the United States should be so far as possible more rigorously controlled by legislation.

In one of the Chinese-Japanese Conventions of September 4 of this year there was a provision which caused considerable public apprehension in that upon its face it was believed in some quarters to seek to establish a monopoly of mining privileges along the South Manchurian and Antung-Mukden Railroads, and thus to exclude Americans from a wide field of enterprise, to take part in which they were by treaty with China entitled. After a thorough examination of the Conventions and of the several contextual documents, the Secretary of State reached the conclusion that no such monopoly was intended or accomplished. However, in view of the widespread discussion of this question, to confirm the view it had reached, this Government made inquiry of the Imperial Chinese and Japanese Governments and received from each official assurance that the provision had no purpose inconsistent with the policy of equality of opportunity to which the signatories, in common with the United States, are pledged.

Our traditional relations with the Japanese Empire continue cordial as usual. As the representative of Japan, His Imperial Highness Prince Kuni visited the Hudson-Fulton Celebration. The recent visit of a delegation of prominent business men as guests of the chambers of commerce of the Pacific slope, whose representatives had been so agreeably received in Japan, will doubtless contribute to the growing trade across the Pacific, as well as to that mutual understanding which leads to mutual appreciation. The arrangement of 1908 for a cooperative control of the coming of laborers to the United States has proved to work satisfactorily. The matter of a revision of the existing treaty between the United States and Japan which is terminable in 1912 is already receiving the study of both countries.

The Department of State is considering the revision in whole or in part, of the existing treaty with Siam, which was concluded in 1856, and is now, in respect to many of its provisions, out of date.

THE DEPARTMENT OF STATE.

I earnestly recommend to the favorable action of the Congress the estimates submitted by the Department of State and most especially the legislation suggested in the Secretary of State's letter of this date whereby it will be possible to develop and make permanent the reorganization of the Department upon modern lines in a manner to make it a thoroughly efficient instrument in the furtherance of our foreign trade and of American interests abroad. The plan to have Divisions of Latin-American and Far Eastern Affairs and to institute a certain specialization in business with Europe and the Near East will at once commend itself. These politico-geographical divisions and the detail from the diplomatic or consular service to the Department of a number of men, who bring to the study of complicated problems in different parts of the world practical knowledge recently gained on the spot, clearly is of the greatest advantage to the Secretary of State in foreseeing conditions likely to arise and in conducting the great variety of correspondence and negotiation. It should be remembered that such facilities exist in the foreign offices of all the leading commercial nations and that to deny them to the Secretary of State would be to place this Government at a great disadvantage in the rivalry of commercial competition.

The consular service has been greatly improved under the law of April 5, 1906, and the Executive Order of June 27, 1906, and I commend to your consideration the question of embodying in a statute the principles of the present Executive Order upon which the efficiency of our consular service is wholly dependent.

In modern times political and commercial interests are interrelated, and in the negotiation of commercial treaties, conventions and tariff agreements, the keeping open of opportunities and the proper support of American enterprises, our diplomatic service is quite as important as the consular service to the business interests of the country. Impressed with this idea and convinced that selection after rigorous examination, promotion for merit solely and the experience only to be gained through the continuity of an organized service are indispensable to a high degree of efficiency in the diplomatic service, I have signed an Executive Order as the first step toward this very desirable result. Its effect should be to place all secretaries in the diplomatic service in much the same position as consular officers are now placed and to tend to the promotion of the most efficient to the grade of minister, generally leaving for outside appointments such posts of the grade of ambassador or minister as it may be expedient to fill from without the service. It is proposed also to continue the practice instituted last summer of giving to all newly appointed secretaries at least one month's thorough training in the Department of State before they proceed to their posts. This has been done for some time in regard to the consular service with excellent results.

Under a provision of the Act of August 5, 1909, I have appointed three officials to assist the officers of the Government in collecting information necessary to a wise administration of the tariff act of August 5, 1909. As to questions of customs administration they are cooperating with the officials of the Treasury Department and as to matters of the needs and the exigencies of our manufacturers and exporters, with the Department of Commerce and Labor, in its relation to the domestic aspect of the subject of foreign commerce.

In the study of foreign tariff treatment they will assist the Bureau of Trade Relations of the Department of State. It is hoped thus to coordinate and bring to bear upon this most important subject all the agencies of the Government which can contribute anything to its efficient handling.

As a consequence of Section 2 of the tariff act of August 5, 1909, it becomes the duty of the Secretary of State to conduct as diplomatic business all the negotiations necessary to place him in a position to advise me as to whether or not a particular country unduly discriminates against the United States in the sense of the statute referred to. The great scope and complexity of this work, as well as the obligation to lend all proper aid to our expanding commerce, is met by the expansion of the Bureau of Trade Relations as set forth in the estimates for the Department of State.

OTHER DEPARTMENTS.

I have thus in some detail described the important transactions of the State Department since the beginning of this Administration for the reason that there is no provision either by statute or custom for a formal report by the Secretary of State to the President or to Congress, and a Presidential message is the only means by which the condition of our foreign relations is brought to the attention of Congress and the public.

In dealing with the affairs of the other Departments, the heads of which all submit annual reports, I shall touch only those matters that seem to me to call for special mention on my part without minimizing in any way the recommendations made by them for legislation affecting their respective Departments, in all of which I wish to express my general concurrence.

GOVERNMENT EXPENDITURES AND REVENUES.

Perhaps the most important question presented to this Administration is that of economy in expenditures and sufficiency of revenue. The deficit of the last fiscal year, and the certain deficit of the current year, prompted Congress to throw a greater responsibility on the Executive and the Secretary of the Treasury than had heretofore been declared by statute. This declaration imposes upon the Secretary of the Treasury the duty of assembling all the estimates of the Executive Departments, bureaus, and offices, of the expenditures necessary in the ensuing fiscal year, and of making an estimate of the revenues of the Government for the same period; and if a probable deficit is thus shown, it is made the duty of the President to recommend the method by which such deficit can be met.

The report of the Secretary shows that the ordinary expenditures for the current fiscal year ending June 30, 1910, will exceed the estimated receipts by $34,075,620. If to this deficit is added the sum to be disbursed for the Panama Canal, amounting to $38,000,000, and $1,000,000 to be paid on the public debt, the deficit of ordinary receipts and expenditures will be increased to a total deficit of $73,075,620. This deficit the Secretary proposes to meet by the proceeds of bonds issued to pay the cost of constructing the Panama Canal. I approve this proposal.

The policy of paying for the construction of the Panama Canal, not out of current revenue, but by bond issues, was adopted in the Spooner Act of 1902, and there seems to be no good reason for departing from the principle by which a part at least of the burden of the cost of the canal shall fall upon our posterity who are to enjoy it; and there is all the more reason for this view because the actual cost to date of the canal, which is now half done and which will be completed January 1, 1915, shows that the cost of engineering and construction will be $297,766,000, instead of $139,705,200, as originally estimated. In addition to engineering and construction, the other expenses, including sanitation and government, and the amount paid for the properties, the franchise, and the privilege of building the canal, increase the cost by $75,435,000, to a total of $375,201,000. The increase in the cost of engineering and construction is due to a substantial enlargement of the plan of construction by widening the canal 100 feet in the Culebra cut and by increasing the dimensions of the locks, to the underestimate of the quantity of the work to be done under the original plan, and to an underestimate of the cost of labor and materials both of which have greatly enhanced in price since the original estimate was made.

In order to avoid a deficit for the ensuing fiscal year, I directed the heads of Departments in the preparation of their estimates to make them as low as possible consistent with imperative governmental necessity. The result has been, as I am advised by the Secretary of the Treasury, that the estimates for the expenses of the Government for the next fiscal year ending June 30, 1911, are less than the appropriations for this current fiscal year by $42,818,000. So far as the Secretary of the Treasury is able to form a judgment as to future income, and compare it with the expenditures for the next fiscal year ending June 30, 1911, and excluding payments on account of the Panama Canal, which will doubtless be taken up by bonds, there will be a surplus of $35,931,000.

In the present estimates the needs of the Departments and of the Government have been cut to the quick, so to speak, and any assumption on the part of Congress, so often made in times past, that the estimates have been prepared with the expectation that they may be reduced, will result in seriously hampering proper administration.

The Secretary of the Treasury points out what should be carefully noted in respect to this reduction in governmental expenses for the next fiscal year, that the economies are of two kinds—first, there is a saving in the permanent administration of the Departments, bureaus, and offices of the Government; and, second, there is a present reduction in expenses by a postponement of projects and improvements that ultimately will have to be carried out, but which are now delayed with the hope that additional revenue in the future will permit their execution without producing a deficit.

It has been impossible in the preparation of estimates greatly to reduce the cost of permanent administration. This can not be done without a thorough reorganization of bureaus, offices, and departments. For the purpose of securing information which may enable the executive and the legislative branches to unite in a plan for the permanent reduction of the cost of governmental administration, the Treasury Department has instituted an investigation by one of the most skilled expert accountants in the United States. The result of his work in two or three bureaus, which, if extended to the entire Government, must occupy two or more years, has been to show much room for improvement and opportunity for substantial reductions in the cost and increased efficiency of administration. The object of the investigation is to devise means to increase the average efficiency of each employee. There is great room for improvement toward this end, not only by the reorganization of bureaus and departments and in the avoidance of duplication, but also in the treatment of the individual employee.

Under the present system it constantly happens that two employees receive the same salary when the work of one is far more difficult and important and exacting than that of the other. Superior ability is not rewarded or encouraged. As the classification is now entirely by salary, an employee often rises to the highest class while doing the easiest work, for which alone he may be fitted. An investigation ordered by my predecessor resulted in the recommendation that the civil service be reclassified according to the kind of work, so that the work requiring most application and knowledge and ability shall receive most compensation. I believe such a change would be fairer to the whole force and would permanently improve the personnel of the service.

More than this, every reform directed toward the improvement in the average efficiency of government employees must depend on the ability of the Executive to eliminate from the government service those who are inefficient from any cause, and as the degree of efficiency in all the Departments is much lessened by the retention of old employees who have outlived their energy and usefulness, it is indispensable to any proper system of economy that provision be made so that their separation from the service shall be easy and inevitable. It is impossible to make such provision unless there is adopted a plan of civil pensions.

Most of the great industrial organizations, and many of the well-conducted railways of this country, are coming to the conclusion that a system of pensions for old employees, and the substitution therefor of younger and more energetic servants, promotes both economy and efficiency of administration.

I am aware that there is a strong feeling in both Houses of Congress, and possibly in the country, against the establishment of civil pensions, and that this has naturally grown out of the heavy burden of military pensions, which it has always been the policy of our Government to assume; but I am strongly convinced that no other practical solution of the difficulties presented by the superannuation of civil servants can be found than that of a system of civil pensions.

The business and expenditures of the Government have expanded enormously since the Spanish war, but as the revenues have increased in nearly the same proportion as the expenditures until recently, the attention of the public, and of those responsible for the Government, has not been fastened upon the question of reducing the cost of administration. We can not, in view of the advancing prices of living, hope to save money by a reduction in the standard of salaries paid. Indeed, if any change is made in that regard, an increase rather than a decrease will be necessary; and the only means of economy will be in reducing the number of employees and in obtaining a greater average of efficiency from those retained in the service.

Close investigation and study needed to make definite recommendations in this regard will consume at least two years. I note with much satisfaction the organization in the Senate of a Committee on Public Expenditures, charged with the duty of conducting such an investigation, and I tender to that committee all the assistance which the executive branch of the Government can possibly render.

FRAUDS IN THE COLLECTION OF CUSTOMS.

I regret to refer to the fact of the discovery of extensive frauds in the collections of the customs revenue at New York City, in which a number of the subordinate employees in the weighing and other departments were directly concerned, and in which the beneficiaries were the American Sugar Refining Company and others. The frauds consisted in the payment of duty on underweights of sugar. The Government has recovered from the American Sugar Refining Company all that it is shown to have been defrauded of. The sum was received in full of the amount due, which might have been recovered by civil suit against the beneficiary of the fraud, but there was an express reservation in the contract of settlement by which the settlement should not interfere with, or prevent the criminal prosecution of everyone who was found to be subject to the same.

Criminal prosecutions are now proceeding against a number of the Government officers. The Treasury Department and the Department of Justice are exerting every effort to discover all the wrongdoers, including the officers and employees of the companies who may have been privy to the fraud. It would seem to me that an investigation of the frauds by Congress at present, pending the probing by the Treasury Department and the Department of Justice, as proposed, might by giving immunity and otherwise prove an embarrassment in securing conviction of the guilty parties.

MAXIMUM AND MINIMUM CLAUSE IN TARIFF ACT.

Two features of the new tariff act call for special reference. By virtue of the clause known as the "Maximum and Minimum" clause, it is the duty of the Executive to consider the laws and practices of other countries with reference to the importation into those countries of the products and merchandise of the United States, and if the Executive finds such laws and practices not to be *unduly discriminatory* against the United States, the minimum duties provided in the bill are to go into force. Unless the President makes such a finding, then the maximum duties provided in the bill, that is, an increase of twenty-five per cent. *ad valorem* over the minimum duties, are to be in force. Fear has been expressed that this power conferred and duty imposed on the Executive is likely to lead to a tariff war. I beg to express the hope and belief that no such result need be anticipated.

The discretion granted to the Executive by the terms "unduly discriminatory" is wide. In order that the maximum duty shall be charged against the imports from a country, it is necessary that he shall find on the part of that country not only discriminations in its laws or the practice under them against the trade of the United States, but that the discriminations found shall be undue; that is, without good and fair reason. I conceive that this power was reposed in the President with the hope that the maximum duties might never be applied in any case, but that the power to apply them would enable the President and the State Department through friendly negotiation to secure the elimination from the laws and the practice under them of any foreign country of that which is unduly discriminatory. No one is seeking a tariff war or a condition in which the spirit of retaliation shall be aroused.

USES OF THE NEW TARIFF BOARD.

The new tariff law enables me to appoint a tariff board to assist me in connection with the Department of State in the administration of the minimum and maximum clause of the act and also to assist officers of the Government in the administration of the entire law. An examination of the law and an understanding of the nature of the facts which should be considered in discharging the functions imposed upon the Executive show that I have the power to direct the tariff board to make a comprehensive glossary and encyclopedia of the terms used and articles embraced in the tariff law, and to secure information as to the cost of production of such goods in this country and the cost of their production in foreign countries. I have therefore appointed a tariff board consisting of three members and have directed them to perform all the duties above described. This work will perhaps take two or three years, and I ask from Congress a continuing annual appropriation equal to that already made for its prosecution. I believe that the work of this board will be of prime utility and importance whenever Congress shall deem it wise again to readjust the customs duties. If the facts secured by the tariff board are of such a character as to show generally that the rates of duties imposed by the present tariff law are excessive under the principles of protection as described in the platform of the successful party at the late election, I shall not hesitate to invite the attention of Congress to this fact and to the necessity for action predicated thereon. Nothing, however, halts business and interferes with the course of prosperity so much as the threatened revision of the tariff, and until the facts are at hand, after careful and deliberate investigation, upon which such revision can properly be undertaken, it seems to me unwise to attempt it. The amount of misinformation that creeps into arguments *pro* and *con* in respect to tariff rates is such as to require the kind of investigation that I have directed the tariff board to make, an investigation undertaken by it wholly without respect to the effect which the facts may have in calling for a readjustment of the rates of duty.

WAR DEPARTMENT.

In the interest of immediate economy and because of the prospect of a deficit, I have required a reduction in the estimates of the War Department for the coming fiscal year, which brings the total estimates down to an amount forty-five millions less than the corresponding estimates for last year. This could only be accomplished by cutting off new projects and suspending for the period of one year all progress in military matters. For the same reason I have directed that the Army shall not be recruited up to its present authorized strength. These measures can hardly be more than temporary—to last until our revenues are in better condition and until the whole question of the expediency of adopting a definite military policy can be submitted to Congress, for I am sure that the interests of the military establishment are seriously in need of careful consideration by Congress. The laws regulating the organization of our armed forces in the event of war need to be revised in order that the organization can be modified so as to produce a force which would be more consistently apportioned throughout its numerous branches. To explain the circumstances upon which this opinion is based would necessitate a lengthy discussion, and I postpone it until the first convenient opportunity shall arise to send to Congress a special message upon this subject.

The Secretary of War calls attention to a number of needed changes in the Army in all of which I concur, but the point upon which I place most emphasis is the need for an elimination bill providing a method by which the merits of officers shall have some effect upon their advancement and by which the advancement of all may be accelerated by the effective elimination of a definite proportion of the least efficient. There are in every army, and certainly in ours, a number of officers who do not violate their duty in any such way as to give reason for a court-martial or dismissal, but who do not show such aptitude and skill and character for high command as to justify their remaining in the active service to be Promoted. Provision should be made by which they may be retired on a certain proportion of their pay, increasing with their length of service at the time of retirement. There is now a personnel law for the Navy which itself needs amendment and to which I shall make further reference. Such a law is needed quite as much for the Army.

The coast defenses of the United States proper are generally all that could be desired, and in some respects they are rather more elaborate than under present conditions are needed to stop an enemy's fleet from entering the harbors defended. There is, however, one place where additional defense is badly needed, and that is at the mouth of Chesapeake Bay, where it is proposed to make an artificial island for a fort which shall prevent an enemy's fleet from entering this most important strategical base of operations on the whole Atlantic and Gulf coasts. I hope that appropriate legislation will be adopted to secure the construction of this defense.

The military and naval joint board have unanimously agreed that it would be unwise to make the large expenditures which at one time were contemplated in the establishment of a naval base and station in the Philippine Islands, and have expressed their judgment, in which I fully concur, in favor of making an extensive naval base at Pearl Harbor, near Honolulu, and not in the Philippines. This does not dispense with the necessity for the comparatively small appropriations required to finish the proper coast defenses in the Philippines now under construction on the island of Corregidor and elsewhere or to complete a suitable repair station and coaling supply station at Olongapo, where is the floating dock "Dewey." I hope that this recommendation of the joint board will end the discussion as to the comparative merits of Manila Bay and Olongapo as naval stations, and will lead to prompt measures for the proper equipment and defense of Pearl Harbor.

THE NAVY.

The return of the battle-ship fleet from its voyage around the world, in more efficient condition than when it started, was a noteworthy event of interest alike to our citizens and the naval authorities of the world. Besides the beneficial and far-reaching effect on our personal and diplomatic relations in the countries which the fleet visited, the marked success of the ships in steaming around the world in all weathers on schedule time has increased respect for our Navy and has added to our national prestige.

Our enlisted personnel recruited from all sections of the country is young and energetic and representative of the national spirit. It is, moreover, owing to its intelligence, capable of quick training into the modern man-of-warsman. Our officers are earnest and zealous in their profession, but it is a regrettable fact that the higher officers are old for the responsibilities of the modern navy, and the admirals do not arrive at flag rank young enough to obtain adequate training in their duties as flag officers. This need for reform in the Navy has been ably and earnestly presented to Congress by my predecessor, and I also urgently recommend the subject for consideration.

Early in the coming session a comprehensive plan for the reorganization of the officers of all corps of the Navy will be presented to Congress, and I hope it will meet with action suited to its urgency.

Owing to the necessity for economy in expenditures, I have directed the curtailment of recommendations for naval appropriations so that they are thirty-eight millions less than the corresponding estimates of last year, and the request for new naval construction is limited to two first-class battle ships and one repair vessel.

The use of a navy is for military purposes, and there has been found need in the Department of a military branch dealing directly with the military use of the fleet. The Secretary of the Navy has also felt the lack of responsible advisers to aid him in reaching conclusions and deciding important matters between coordinate branches of the Department. To secure these results he has inaugurated a tentative plan involving certain changes in the organization of the Navy Department, including the navy-yards, all of which have been found by the Attorney-General to be in accordance with law. I have approved the execution of the plan proposed because of the greater efficiency and economy it promises.

The generosity of Congress has provided in the present Naval Observatory the most magnificent and expensive astronomical establishment in the world. It is being used for certain naval purposes which might easily and adequately be subserved by a small division connected with the Naval Department at only a fraction of the cost of the present Naval Observatory. The official Board of Visitors established by Congress and appointed in 1901 expressed its conclusion that the official head of the observatory should be an eminent astronomer appointed by the President by and with the advice and consent of the Senate, holding his place by a tenure at least as permanent as that of the Superintendent of the Coast Survey or the head of the Geological Survey, and not merely by a detail of two or three years' duration. I fully concur in this judgment, and urge a provision by law for the appointment of such a director.

It may not be necessary to take the observatory out of the Navy Department and put it into another department in which opportunity for scientific research afforded by the observatory would seem to be more appropriate, though I believe such a transfer in the long run is the best policy. I am sure, however, I express the desire of the astronomers and those learned in the kindred sciences when I urge upon Congress that the Naval Observatory be now dedicated to science under control of a man of science who can, if need be, render all the service to the Navy Department which this observatory now renders, and still furnish to the world the discoveries in astronomy that a great astronomer using such a plant would be likely to make.

DEPARTMENT OF JUSTICE.

EXPEDITION IN LEGAL PROCEDURE

The deplorable delays in the administration of civil and criminal law have received the attention of committees of the American Bar Association and of many State Bar Associations, as well as the considered thought of judges and jurists. In my judgment, a change in judicial procedure, with a view to reducing its expense to private litigants in civil cases and facilitating the dispatch of business and final decision in both civil and criminal cases, constitutes the greatest need in our American institutions. I do not doubt for one moment that much of the lawless violence and cruelty exhibited in lynchings is directly due to the uncertainties and injustice growing out of the delays in trials, judgments, and the executions thereof by our courts. Of course these remarks apply quite as well to the administration of justice in State courts as to that in Federal courts, and without making invidious distinction it is perhaps not too much to say that, speaking generally, the defects are less in the Federal courts than in the State courts. But they are very great in the Federal courts. The expedition with which business is disposed of both on the civil and the criminal side of English courts under modern rules of procedure makes the delays in our courts seem archaic and barbarous. The procedure in the Federal courts should furnish an example for the State courts. I presume it is impossible, without an amendment to the Constitution, to unite under one form of action the proceedings at common law and proceedings in equity in the Federal courts, but it is certainly not impossible by a statute to simplify and make short and direct the procedure both at law and in equity in those courts. It is not impossible to cut down still more than it is cut down, the jurisdiction of the Supreme Court so as to confine it almost wholly to statutory and constitutional questions. Under the present statutes the equity and admiralty procedure in the Federal courts is under the control of the Supreme Court, but in the pressure of business to which that court is subjected, it is impossible to hope that a radical and proper reform of the Federal equity procedure can be brought about. I therefore recommend legislation providing for the appointment by the President of a commission with authority to examine the law and equity procedure of the Federal courts of first instance, the law of appeals from those courts to the courts of appeals and to the Supreme Court, and the costs imposed in such procedure upon the private litigants and upon the public treasury and make recommendation with a view to simplifying and expediting the procedure as far as possible and making it as inexpensive as may be to the litigant of little means.

INJUNCTIONS WITHOUT NOTICE.

The platform of the successful party in the last election contained the following:

"The Republican party will uphold at all times the authority and integrity of the courts, State and Federal, and will ever insist that their powers to enforce their process and to protect life, liberty, and property shall be preserved inviolate. We believe, however, that the rules of procedure in the Federal courts with respect to the issuance of the writ of injunction should be more accurately defined by statute, and that no injunction or temporary restraining order should be issued without notice, except where irreparable injury would result from delay, in which case a speedy hearing thereafter should be granted."

I recommend that in compliance with the promise thus made, appropriate legislation be adopted. The ends of justice will best be met and the chief cause of complaint against ill-considered injunctions without notice will be removed by the enactment of a statute forbidding hereafter the issuing of any injunction or restraining order, whether temporary or permanent, by any Federal court, without previous notice and a reasonable opportunity to be heard on behalf of the parties to be enjoined; unless it shall appear to the satisfaction of the court that the delay necessary to give such notice and hearing would result in irreparable injury to the complainant and unless also the court shall from the evidence make a written finding, which shall be spread upon the court minutes, that immediate and irreparable injury is likely to ensue to the complainant, and shall define the injury, state why it is irreparable, and shall also endorse on the order issued the date and the hour of the issuance of the order. Moreover, every such injunction or restraining order issued without previous notice and opportunity by the defendant to be heard should by force of the statute expire and be of no effect after seven days from the issuance thereof or within any time less than that period which the court may fix, unless within such seven days or such less period, the injunction or order is extended or renewed after previous notice and opportunity to be heard.

My judgment is that the passage of such an act which really embodies the best practice in equity and is very like the rule now in force in some courts will prevent the issuing of ill-advised orders of injunction without notice and will render such orders when issued much less objectionable by the short time in which they may remain effective.

ANTI-TRUST AND INTERSTATE COMMERCE LAWS.

The jurisdiction of the General Government over interstate commerce has led to the passage of the so-called "Sherman Anti-trust Law" and the "Interstate Commerce Law" and its amendments. The developments in the operation of those laws, as shown by indictments, trials, judicial decisions, and other sources of information, call for a discussion and some suggestions as to amendments.

These I prefer to embody in a special message instead of including them in the present communication, and I shall avail myself of the first convenient opportunity to bring these subjects to the attention of Congress.

JAIL OF THE DISTRICT OF COLUMBIA.

My predecessor transmitted to the Congress a special message on January 11, 1909, accompanying the report of Commissioners theretofore appointed to investigate the jail, workhouse, etc., in the District of Columbia, in which he directed attention to the report as setting forth vividly, "the really outrageous conditions in the workhouse and jail."

The Congress has taken action in pursuance of the recommendations of that report and of the President, to the extent of appropriating funds and enacting the necessary legislation for the establishment of a workhouse and reformatory. No action, however, has been taken by the Congress with respect to the jail, the conditions of which are still antiquated and insanitary. I earnestly recommend the passage of a sufficient appropriation to enable a thorough remodeling of that institution to be made without delay. It is a reproach to the National Government that almost under the shadow of the Capitol Dome prisoners should be confined in a building destitute of the ordinary decent appliances requisite to cleanliness and sanitary conditions.

POST-OFFICE DEPARTMENT.

SECOND-CLASS MAIL MATTER.

The deficit every year in the Post-Office Department is largely caused by the low rate of postage of 1 cent a pound charged on second-class mail matter, which includes not only newspapers, but magazines and miscellaneous periodicals. The actual loss growing out of the transmission of this second-class mail matter at 1 cent a pound amounts to about $63,000,000 a year. The average cost of the transportation of this matter is more than 9 cents a pound.

It appears that the average distance over which newspapers are delivered to their customers is 291 miles, while the average haul of magazines is 1,049, and of miscellaneous periodicals 1,128 miles. Thus, the average haul of the magazine is three and one-half times and that of the miscellaneous periodical nearly four times the haul of the daily newspaper, yet all of them pay the same postage rate of 1 cent a pound. The statistics of 1907 show that second-class mail matter constituted 63.91 per cent. of the weight of all the mail, and yielded only 5.19 per cent. of the revenue.

The figures given are startling, and show the payment by the Government of an enormous subsidy to the newspapers, magazines, and periodicals, and Congress may well consider whether radical steps should not be taken to reduce the deficit in the Post-Office Department caused by this discrepancy between the actual cost of transportation and the compensation exacted therefor.

A great saving might be made, amounting to much more than half of the loss, by imposing upon magazines and periodicals a higher rate of postage. They are much heavier than newspapers, and contain a much higher proportion of advertising to reading matter, and the average distance of their transportation is three and a half times as great.

The total deficit for the last fiscal year in the Post-Office Department amounted to $17,500,000. The branches of its business which it did at a loss were the second-class mail service, in which the loss, as already said, was $63,000,000, and the free rural delivery, in which the loss was $28,000,000. These losses were in part offset by the profits of the letter postage and other sources of income. It would seem wise to reduce the loss upon second-class mail matter, at least to the extent of preventing a deficit in the total operations of the Post-Office.

I commend the whole subject to Congress, not unmindful of the spread of intelligence which a low charge for carrying newspapers and periodicals assists. I very much doubt, however, the wisdom of a policy which constitutes so large a subsidy and requires additional taxation to meet it.

POSTAL SAVINGS BANKS.

The second subject worthy of mention in the Post-Office Department is the real necessity and entire practicability of establishing postal savings banks. The successful party at the last election declared in favor of postal savings banks, and although the proposition finds opponents in many parts of the country, I am convinced that the people desire such banks, and am sure that when the banks are furnished they will be productive of the utmost good. The postal savings banks are not constituted for the purpose of creating competition with other banks. The rate of interest upon deposits to which they would be limited would be so small as to prevent their drawing deposits away from other banks.

I believe them to be necessary in order to offer a proper inducement to thrift and saving to a great many people of small means who do not now have banking facilities, and to whom such a system would offer an opportunity for the accumulation of capital. They will furnish a satisfactory substitute, based on sound principle and actual successful trial in nearly all the countries of the world, for the system of government guaranty of deposits now being adopted in several western States, which with deference to those who advocate it seems to me to have in it the seeds of demoralization to conservative banking and certain financial disaster.

The question of how the money deposited in postal savings banks shall be invested is not free from difficulty, but I believe that a satisfactory provision for this purpose was inserted as an amendment to the bill considered by the Senate at its last session. It has been proposed to delay the consideration of legislation establishing a postal savings bank until after the report of the Monetary Commission. This report is likely to be delayed, and properly so, because of the necessity for careful deliberation and close investigation. I do not see why the one should be tied up with the other. It is understood that the Monetary Commission have looked into the systems of banking which now prevail abroad, and have found that by a control there exercised in respect to reserves and the rates of exchange by some central authority panics are avoided. It is not apparent that a system of postal savings banks would in any way interfere with a change to such a system here. Certainly in most of the countries of Europe where control is thus exercised by a central authority, postal savings banks exist and are not thought to be inconsistent with a proper financial and banking system.

SHIP SUBSIDY.

Following the course of my distinguished predecessor, I earnestly recommend to Congress the consideration and passage of a ship subsidy bill, looking to the establishment of lines between our Atlantic seaboard and the eastern coast of South America, as well as lines from the west coast of the United States to South America. China, Japan, and the Philippines. The profits on foreign mails are perhaps a sufficient measure of the expenditures which might first be tentatively applied to this method of inducing American capital to undertake the establishment of American lines of steamships in those directions in which we now feel it most important that we should have means of transportation controlled in the interest of the expansion of our trade. A bill of this character has once passed the House and more than once passed the Senate, and I hope that at this session a bill framed on the same lines and with the same purposes may become a law.

INTERIOR DEPARTMENT.

NEW MEXICO AND ARIZONA.

The successful party in the last election in its national platform declared in favor of the admission as separate States of New Mexico and Arizona, and I recommend that legislation appropriate to this end be adopted. I urge, however, that care be exercised in the preparation of the legislation affecting each Territory to secure deliberation in the selection of persons as members of the convention to draft a constitution for the incoming State, and I earnestly advise that such constitution after adoption by the convention shall be submitted to the people of the Territory for their approval at an election in which the sole issue shall be the merits of the proposed constitution, and if the constitution is defeated by popular vote means shall be provided in the enabling act for a new convention and the drafting of a new constitution. I think it vital that the issue as to the merits of the constitution should not be mixed up with the selection of State officers, and that no election of State officers should be had until after the constitution has been fully approved and finally settled upon.

ALASKA.

With respect to the Territory of Alaska, I recommend legislation which shall provide for the appointment by the President of a governor and also of an executive council, the members of which shall during their term of office reside in the Territory, and which shall have legislative powers sufficient to enable it to give to the Territory local laws adapted to its present growth. I strongly deprecate legislation looking to the election of a Territorial legislature in that vast district. The lack of permanence of residence of a large part of the present population and the small number of the people who either permanently or temporarily reside in the district as compared with its vast expanse and the variety of the interests that have to be subserved, make it altogether unfitting in my judgment to provide for a popular election of a legislative body. The present system is not adequate and does not furnish the character of local control that ought to be there. The only compromise it seems to me which may give needed local legislation and secure a conservative government is the one I propose.

CONSERVATION OF NATIONAL RESOURCES.

In several Departments there is presented the necessity for legislation looking to the further conservation of our national resources, and the subject is one of such importance as to require a more detailed and extended discussion than can be entered upon in this communication. For that reason I shall take an early opportunity to send a special message to Congress on the subject of the improvement of our waterways, upon the reclamation and irrigation of arid, semiarid, and swamp lands; upon the preservation of our forests and the reforesting of suitable areas; upon the reclassification of the public domain with a view of separating from agricultural settlement mineral, coal, and phosphate lands and sites belonging to the Government bordering on streams suitable for the utilization of water power.

DEPARTMENT OF AGRICULTURE.

I commend to your careful consideration the report of the Secretary of Agriculture as showing the immense sphere of usefulness which that Department now fills and the wonderful addition to the wealth of the nation made by the farmers of this country in the crops of the current year.

DEPARTMENT OF COMMERCE AND LABOR.

THE LIGHT-HOUSE BOARD.

The Light-House Board now discharges its duties under the Department of Commerce and Labor. For upwards of forty years this Board has been constituted of military and naval officers and two or three men of science, with such an absence of a duly constituted executive head that it is marvelous what work has been accomplished. In the period of construction the energy and enthusiasm of all the members prevented the inherent defects of the system from interfering greatly with the beneficial work of the Board, but now that the work is chiefly confined to maintenance and repair, for which purpose the country is divided into sixteen districts, to which are assigned an engineer officer of the Army and an inspector of the Navy, each with a light-house tender and the needed plant for his work, it has become apparent by the frequent friction that arises, due to the absence of any central independent authority, that there must be a complete reorganization of the Board. I concede the advantage of keeping in the system the rigidity of discipline that the presence of naval and military officers in charge insures, but unless the presence of such officers in the Board can be made consistent with a responsible executive head that shall have proper authority, I recommend the transfer of control over the light-houses to a suitable civilian bureau. This is in accordance with the judgment of competent persons who are familiar with the workings of the present system. I am confident that a reorganization can be effected which shall avoid the recurrence of friction between members, instances of which have been officially brought to my attention, and that by such reorganization greater efficiency and a substantial reduction in the expense of operation can be brought about.

CONSOLIDATION OF BUREAUS.

I request Congressional authority to enable the Secretary of Commerce and Labor to unite the Bureaus of Manufactures and Statistics. This was recommended by a competent committee appointed in the previous administration for the purpose of suggesting changes in the interest of economy and efficiency, and is requested by the Secretary.

THE WHITE SLAVE TRADE.

I greatly regret to have to say that the investigations made in the Bureau of Immigration and other sources of information lead to the view that there is urgent necessity for additional legislation and greater executive activity to suppress the recruiting of the ranks of prostitutes from the streams of immigration into this country—an evil which, for want of a better name, has been called "The White Slave Trade." I believe it to be constitutional to forbid, under penalty, the transportation of persons for purposes of prostitution across national and state lines; and by appropriating a fund of $50,000 to be used by the Secretary of Commerce and Labor for the employment of special inspectors it will be possible to bring those responsible for this trade to indictment and conviction under a federal law.

BUREAU OF HEALTH.

For a very considerable period a movement has been gathering strength, especially among the members of the medical profession, in favor of a concentration of the instruments of the National Government which have to do with the promotion of public health. In the nature of things, the Medical Department of the Army and the Medical Department of the Navy must be kept separate. But there seems to be no reason why all the other bureaus and offices in the General Government which have to do with the public health or subjects akin thereto should not be united in a bureau to be called the "Bureau of Public Health." This would necessitate the transfer of the Marine-Hospital Service to such a bureau. I am aware that there is wide field in respect to the public health committed to the States in which the Federal Government can not exercise jurisdiction, but we have seen in the Agricultural Department the expansion into widest usefulness of a department giving attention to agriculture when that subject is plainly one over which the States properly exercise direct jurisdiction. The opportunities offered for useful research and the spread of useful information in regard to the cultivation of the soil and the breeding of stock and the solution of many of the intricate problems in progressive agriculture have demonstrated the wisdom of establishing that department. Similar reasons, of equal force, can be given for the establishment of a bureau of health that shall not only exercise the police jurisdiction of the Federal Government respecting quarantine, but which shall also afford an opportunity for investigation and research by competent experts into questions of health affecting the whole country, or important sections thereof, questions which, in the absence of Federal governmental work, are not likely to be promptly solved.

CIVIL SERVICE COMMISSION.

The work of the United States Civil Service Commission has been performed to the general satisfaction of the executive officers with whom the Commission has been brought into official communication. The volume of that work and its variety and extent have under new laws, such as the Census Act, and new Executive orders, greatly increased. The activities of the Commission required by the statutes have reached to every portion of the public domain.

The accommodations of the Commission are most inadequate for its needs. I call your attention to its request for increase in those accommodations as will appear from the annual report for this year.

POLITICAL CONTRIBUTIONS.

I urgently recommend to Congress that a law be passed requiring that candidates in elections of Members of the House of Representatives, and committees in charge of their candidacy and campaign, file in a proper office of the United States Government a statement of the contributions received and of the expenditures incurred in the campaign for such elections and that similar legislation be enacted in respect to all other elections which are constitutionally within the control of Congress

FREEDMAN'S SAVINGS AND TRUST COMPANY.

Recommendations have been made by my predecessors that Congress appropriate a sufficient sum to pay the balance—about 38 per cent.—of the amounts due depositors in the Freedman's Savings and Trust Company. I renew this recommendation, and advise also that a proper limitation be prescribed fixing a period within which the claims may be presented, that assigned claims be not recognized, and that a limit be imposed on the amount of fees collectible for services in presenting such claims.

SEMI-CENTENNIAL OF NEGRO FREEDOM.

The year 1913 will mark the fiftieth anniversary of the issuance of the Emancipation Proclamation granting freedom to the negroes.

It seems fitting that this event should be properly celebrated. Already a movement has been started by prominent negroes, encouraged by prominent white people and the press. The South especially is manifesting its interest in this movement.

It is suggested that a proper form of celebration would be an exposition to show the progress the negroes have made, not only during their period of freedom, but also from the time of their coming to this country.

I heartily indorse this proposal, and request that the Executive be authorized to appoint a preliminary commission of not more than seven persons to consider carefully whether or not it is wise to hold such an exposition, and if so, to outline a plan for the enterprise. I further recommend that such preliminary commission serve without salary, except as to their actual expenses, and that an appropriation be made to meet such expenses.

CONCLUSION.

I have thus, in a message compressed as much as the subjects will permit, referred to many of the legislative needs of the country, with the exceptions already noted. Speaking generally, the country is in a high state of prosperity. There is every reason to believe that we are on the eve of a substantial business expansion, and we have just garnered a harvest unexampled in the market value of our agricultural products. The high prices which such products bring mean great prosperity for the farming community, but on the other hand they mean a very considerably increased burden upon those classes in the community whose yearly compensation does not expand with the improvement in business and the general prosperity. Various reasons are given for the high prices. The proportionate increase in the output of gold, which to-day is the chief medium of exchange and is in some respects a measure of value, furnishes a substantial explanation of at least a part of the increase in prices. The increase in population and the more expensive mode of living of the people, which have not been accompanied by a proportionate increase in acreage production, may furnish a further reason. It is well to note that the increase in the cost of living is not confined to this country, but prevails the world over, and that those who would charge increases in prices to the existing protective tariff must meet the fact that the rise in prices has taken place almost wholly in those products of the factory and farm in respect to which there has been either no increase in the tariff or in many instances a very considerable reduction.

WILLIAM H. TAFT.

SPECIAL MESSAGE.

THE WHITE HOUSE, *January 7, 1910.*

To the Senate and House of Representatives:

I withheld from my annual message a discussion of needed legislation under the authority which Congress has to regulate commerce between the States and with foreign countries and said that I would bring this subject-matter to your attention later in the session. Accordingly, I beg to submit to you certain recommendations as to the amendments to the interstate-commerce law and certain considerations arising out of the operations of the antitrust law suggesting the wisdom of federal incorporation of industrial companies.

INTERSTATE-COMMERCE LAW.

In the annual report of the Interstate Commerce Commission for the year 1908 attention is called to the fact that between July 1, 1908, and the close of that year sixteen suits had been begun to set aside orders of the commission (besides one commenced before that date), and that few orders of much consequence had been permitted to go without protest; that the questions presented by these various suits were fundamental, as the constitutionality of the act itself was in issue, and the right of Congress to delegate to any tribunal authority to establish an interstate rate was denied; but that perhaps the most serious practical question raised concerned the extent of the right of the courts to review the orders of the commission; and it was pointed out that if the contention of the carriers in this latter respect alone were sustained, but little progress had been made in the Hepburn Act toward the effective regulation of interstate transportation charges. In twelve of the cases referred to, it was stated, preliminary injunctions were prayed for, being granted in six and refused in six.

" It has from the first been well understood," says the commission, " that the success of the present act as a regulating measure depended largely upon the facility with which temporary injunctions could be obtained. If a railroad company, by mere allegation in its bill of complaint, supported by ex parte affidavits, can overturn the result of days of patient investigation, no very satisfactory result can be expected. The railroad loses nothing by these proceedings, since if they fail it can only be required to establish the rate and to pay to shippers the difference between the higher rate collected and the rate which is finally held to be reasonable. In point of fact it usually profits, because it can seldom be required to return more than a fraction of the excess charges collected."

In its report for the year 1909, the commission shows that of the seventeen cases referred to in its 1908 report, only one had been decided in the Supreme Court of the United States, although five other cases had been argued and submitted to that tribunal in October, 1909.

Of course, every carrier affected by an order of the commission has a constitutional right to appeal to a federal court to protect it from the enforcement of an order which it may show to be *prima facie* confiscatory or unjustly discriminatory in its effect; and as this application may be made to a court in any district of the United States, not only does delay result in the enforcement of the order, but great uncertainty is caused by contrariety of decision. The questions presented by these applications are too often technical in their character and require a knowledge of the business and the mastery of a great volume of conflicting evidence which is tedious to examine and troublesome to comprehend. It would not be proper to attempt to deprive any corporation of the right to the review by a court of any order or decree which, if undisturbed, would rob it of a reasonable return upon its investment or would subject it to burdens which would unjustly discriminate against it and in favor of other carriers similarly situated. What is, however, of supreme importance is that the decision of such questions shall be as speedy as the nature of the circumstances will admit, and that a uniformity of decision be secured so as to bring about an effective, systematic, and scientific enforcement of the commerce law, rather than conflicting decisions and uncertainty of final result.

For this purpose I recommend the establishment of a court of the United States composed of five judges designated for such purpose from among the circuit judges of the United States, to be known as the " United States Court of Commerce," which court shall be clothed with exclusive original jurisdiction over the following classes of cases:

(1) All cases for the enforcement, otherwise than by adjudication and collection of a forfeiture or penalty, or by infliction of criminal punishment, of any order of the Interstate Commerce Commission other than for the payment of money.

(2) All cases brought to enjoin, set aside, annul or suspend any order or requirement of the Interstate Commerce Commission.

(3) All such cases as under section 3 of the act of February 19, 1903, known as the " Elkins Act," are authorized to be maintained in a circuit court of the United States.

(4) All such mandamus proceedings as under the provisions of section 20 or section 23 of the interstate commerce law are authorized to be maintained in a circuit court of the United States.

Reasons precisely analogous to those which induced the Congress to create the Court of Customs Appeals by the provisions in the tariff act of August 5, 1909, may be urged in support of the creation of the Commerce Court.

In order to provide a sufficient number of judges to enable this court to be constituted, it will be necessary to authorize the appointment of five additional circuit judges, who, for the purposes of appointment, might be distributed to those circuits where there is at the present time the largest volume of business, such as the second, third, fourth, seventh, and eighth circuits. The act should empower the Chief Justice at any time when the business of the Court of Commerce does not require the services of all the judges to reassign the judges designated to that court to the circuits to which they respectively belong; and it should also provide for payment to such judges while sitting by assignment in the Court of Commerce of such additional amount as is necessary to bring their annual compensation up to $10,000.

The regular sessions of such court should be held at the capital, but it should be empowered to hold sessions in different parts of the United States if found desirable; and its orders and judgments should be made final, subject only to review by the Supreme Court of the United States, with the provision that the operation of the decree appealed from shall not be stayed unless the Supreme Court shall so order. The Commerce Court should be empowered in its discretion to restrain or suspend the operation of an order of the Interstate Commerce Commission under review pending the final hearing and determination of the proceeding, but no such restraining order should be made except upon notice and after hearing, unless in cases where irreparable damage would otherwise ensue to the petitioner. A judge of that court might be empowered to allow a stay of the commission's order for a period of not more than sixty days, but pending application to the court for its order or injunction, then only where his order shall contain a specific finding based upon evidence submitted to the judge making the order and identified by reference thereto, that such irreparable damage would result to the petitioner, specifying the nature of the damage.

Under the existing law, the Interstate Commerce Commission itself initiates and defends litigation in the courts for the enforcement, or in the defense, of its orders and decrees, and for this purpose it employs attorneys who, while subject to the control of the Attorney-General, act upon the initiative and under the instructions of the commission. This blending of administrative, legislative, and judicial functions tends, in my opinion, to impair the efficiency of the commission by clothing it with partisan characteristics and robbing it of the impartial judicial attitude it should occupy in passing upon questions submitted to it. In my opinion all litigation affecting the Government should be under the direct control of the Department of Justice; and I, therefore, recommend that all proceedings affecting orders and decrees of the Interstate Commerce Commission be brought by or against the United States *eo nomine,* and be placed in charge of an Assistant Attorney-General acting under the direction of the Attorney-General.

The subject of agreements between carriers with respect to rates has been often discussed in Congress. Pooling arrangements and agreements were condemned by the general sentiment of the people, and, under the Sherman antitrust law, any agreement between carriers operating in restraint of interstate or international trade or commerce would be unlawful. The Republican platform of 1908 expressed the belief that the interstate-commerce law should be further amended so as to give the railroads the right to make and publish traffic agreements subject to the approval of the commission, but maintaining always the principle of competition between naturally competing lines and avoiding the common control of such lines by any means whatsoever. In view of the complete control over rate-making and other practices of interstate carriers established by the acts of Congress and as recommended in this communication, I see no reason why agreements between carriers subject to the act, specifying the classifications of freight and the rates, fares, and charges for transportation of passengers and freight which they may agree to establish, should not be permitted, provided, copies of such agreements be promptly filed with the commission, but subject to all the provisions of the interstate-commerce act, subject to the right of any parties to such agreement to cancel it as to all or any of the agreed rates, fares, charges, or classifications by thirty days' notice in writing to the other parties and to the commission.

Much complaint is made by shippers over the state of the law under which they are held bound to know the legal rate applicable to any proposed shipment, without, as a matter of fact, having any certain means of actually ascertaining such rate. It has been suggested that to meet this grievance carriers should be required, upon application by a shipper, to quote the legal rate in writing, and that the shipper should be protected in acting upon the rate thus quoted; but the objection to this suggestion is that it would afford a much too easy method of giving to favored shippers unreasonable preferences and rebates. I think that the law should provide that a carrier, upon written request by an intending shipper, should quote in writing the rate or charge applicable to the proposed shipment under any schedules or tariffs to which such carrier is a party, and that if the party making such request shall suffer damage in consequence of either refusal or omission to quote the proper rate, or in consequence of a misstatement of the rate, the carrier shall be liable to a penalty in some reasonable amount, say two hundred and fifty dollars, to accrue to the United States and to be recovered in a civil action brought by the appropriate district attorney. Such a penalty would compel the agent of the carrier to exercise due diligence in quoting the applicable legal rate, and would thus afford the shipper a real measure of protection, while not opening the way to collusion and the giving of rebates or other unfair discrimination.

Under the existing law the commission can only act with respect to an alleged excessive rate or unduly discriminatory practice by a carrier on a complaint made by some individual affected thereby. I see no reason why the commission should not be authorized to act on its own initiative as well as upon the complaint of an individual in investigating the fairness of any existing rate or practice; and I recommend the amendment of the law to so provide; and also that the commission shall be fully empowered, beyond any question, to pass upon the classifications of commodities for purposes of fixing rates, in like manner as it may now do with respect to the maximum rate applicable to any transportation.

Under the existing law the commission may not investigate an increase in rates until after it shall have become effective; and although one or more carriers may file with the commission a proposed increase in rates or change in classifications, or other alteration of the existing rates or classifications, to become effective at the expiration of thirty days from such filing, no proceeding can be taken to investigate the reasonableness of such proposed change until after it becomes operative. On the other hand, if the commission shall make an order finding that an existing rate is excessive and directing it to be reduced, the carrier affected may by proceedings in the courts stay the operation of such order of reduction for months and even years. It has, therefore, been suggested that the commission should be empowered, whenever a proposed increase in rates is filed, at once to enter upon an investigation of the reasonableness of the increase and to make an order postponing the effective date of such increase until after such investigation shall be completed. To this much objection has been made on the part of carriers. They contend that this would be, in effect, to take from the owners of the railroads the management of their properties and to clothe the Interstate Commerce Commission with the original rate-making power—a policy which was much discussed at the time of the passage of the Hepburn Act in 1905-6, and which was then and has always been distinctly rejected; and in reply to the suggestion that they are able by resorting to the courts to stay the taking effect of the order of the commission until its reasonableness shall have been investigated by the courts, whereas the people are deprived of any such remedy with respect to action by the carriers, they point to the provision of the interstate-commerce act providing for restitution to the shippers by carriers of excessive rates charged in cases where the order of the commission reducing such rates are affirmed. It may be doubted how effective this remedy really is. Experience has shown that many, perhaps, most, shippers do not resort to proceedings to recover the excessive rates which they may have been required to pay, for the simple reason that they have added the rates paid to the cost of the goods and thus enhanced the price thereof to their customers, and that the public has in effect paid the bill. On the other hand, the enormous volume of transportation charges, the great number of separate tariffs filed annually with the Interstate Commerce Commission, amounting to almost 200,000, and the impossibility of any commission supervising the making of tariffs in advance of their becoming effective on every transportation line within the United States to the extent that would be necessary if their active concurrence were required in the making of every tariff, has satisfied me that this power, if granted, should be conferred in a very limited and restricted form. I, therefore, recommend that the Interstate Commerce Commission be empowered whenever any proposed increase of rates is filed, at once, either on complaint or of its own motion, to enter upon an investigation into the reasonableness of such change, and that it be further empowered, in its discretion, to postpone the effective date of such proposed increase for a period not exceeding sixty days beyond the date when such rate would take effect. If within this time it shall determine that such increase is unreasonable, it may then, by its order, either forbid the increase at all or fix the maximum beyond which it shall not be made. If, on the other hand, at the expiration of this time, the commission shall not have completed its investigation, then the rate shall take effect precisely as it would under the existing law, and the commission may continue its investigation with such results as might be realized under the law as it now stands.

The claim is very earnestly advanced by some large associations of shippers that shippers of freight should be empowered to direct the route over which their shipments should pass to destination, and in this connection it has been urged that the provisions of section 15 of the interstate-commerce act, which now empowers the commission, after hearing on complaint, to establish through routes and maximum joint rates to be charged, etc., when no reasonable or satisfactory through route shall have been already established, be amended so as to empower the commission to take such action, even when one existing reasonable and satisfactory route already exists, if it be possible to establish additional routes. This seems to me to be a reasonable provision. I know of no reason why a shipper should not have the right to elect between two or more established through routes to which the initial carrier may be a party, and to require his shipment to be transported to destination over such of such routes as he may designate for that purpose, subject, however, in the exercise of this right to such reasonable regulations as the Interstate Commerce Commission may prescribe.

The Republican platform of 1908 declared in favor of amending the interstate-commerce law, but so as always to maintain the principle of competition between naturally competing lines, and avoiding the common control of such lines by any means whatsover. One of the most potent means of exercising such control has been through the holding of stock of one railroad company by another company owning a competing line. This condition has grown up under express legislative power conferred by the laws of many States, and to attempt now to suddenly reverse that policy so far as it affects the ownership of stocks heretofore so acquired, would be to inflict a grievous injury, not only upon the corporations affected but upon a large body of the investment holding public. I, however, recommend that the law shall be amended so as to provide that from and after the date of its passage no railroad company subject to the interstate-commerce act shall, directly or indirectly, acquire any interests of any kind in capital stock, or purchase or lease any railroad of any other corporation which competes with it respecting business to which the interstate-commerce act applies. But especially for the protection of the minority stockholders in securing to them the best market for their stock I recommend that such prohibition be coupled with a proviso that it shall not operate to prevent any corporation which, at the date of the passage of such act, shall own not less than one-half of the entire issued and outstanding capital stock of any other railroad company, from acquiring all or the remainder of such stock; nor to prohibit any railroad company which at the date of the enactment of the law is operating a railroad of any other corporation under lease, executed for a term of not less than twenty-five years, from acquiring the reversionary ownership of the demised railroad; but that such provisions shall not operate to authorize or validate the acquisition, through stock ownership or otherwise, of a competing line or interest therein in violation of the antitrust or any other law.

The Republican platform of 1908 further declares in favor of such national legislation and supervision as will prevent the future overissue of stocks and bonds by interstate carriers, and in order to carry out its provisions, I recommend the enactment of a law providing that no railroad corporation subject to the interstate-commerce act shall hereafter for any purpose connected with or relating to any part of its business governed by said act, issue any capital stock without previous or simultaneous payment to it of not less than the par value of such stock, or any bonds or other obligations (except notes maturing not more than one year from the date of their issue), without the previous or simultaneous payment to such corporation of not less than the par value of such bonds, or other obligations, or, if issued at less than their par value, then not without such payment of the reasonable market value of such bonds or obligations as ascertained by the Interstate Commerce Commission; and that no property, services, or other thing than money, shall be taken in payment to such carrier corporation, of the par or other required price of such stock, bond or other obligation, except at the fair value of such property, services or other thing as ascertained by the commission; and that such act shall also contain provisions to prevent the abuse by the improvident or improper issue of notes maturing at a period not exceeding twelve months from date, in such manner as to commit the commission to the approval of a larger amount of stock or bonds in order to retire such notes than should legitimately have been required.

Such act should also provide for the approval by the Interstate Commerce Commission of the amount of stock and bonds to be issued by any railroad company subject to this act upon any reorganization, pursuant to judicial sale or other legal proceedings, in order to prevent the issue of stock and bonds to an amount in excess of the fair value of the property which is the subject of such reorganization.

'I believe these suggested modifications in and amendments to the interstate-commerce act would make it a complete and effective measure for securing reasonableness of rates and fairness of practices in the operation of interstate railroad lines, without undue preference to any individual or class over any others; and would prevent the recurrence of many of the practices which have given rise in the past to so much public inconvenience and loss.

By my direction the Attorney-General has drafted a bill to carry out these recommendations, which will be furnished upon request to the appropriate committee whenever it may be desired.

In addition to the foregoing amendments of the interstate-commerce law, the Interstate Commerce Commission should be given the power, after a hearing, to determine upon the uniform construction of those appliances—such as sill steps, ladders, roof hand holds, running boards, and hand brakes on freight cars engaged in interstate commerce—used by the train men in the operation of trains, the defects and lack of uniformity in which are apt to produce accidents and injuries to railway train men. The wonderful reforms effected in the number of switchmen and train men injured by coupling accidents, due to the enforced introduction of safety couplers, is a demonstration of what can be done if railroads are compelled to adopt proper safety appliances.

The question has arisen in the operation of the interstate commerce employer's liability act as to whether suit can be brought against the employer company in any place other than that of its home office. The right to bring the suit under this act should be as easy of enforcement as the right of a private person not in the company's employ to sue on an ordinary claim, and process in such suit should be sufficiently served if upon the station agent of the company upon whom service is authorized to be made to bind the company in ordinary actions arising under state laws. Bills for both the foregoing purposes have been considered by the House of Representatives, and have been passed, and are now before the Interstate Commerce Committee of the Senate. I earnestly urge that they be enacted into law.

ANTITRUST LAW AND FEDERAL INCORPORATION.

There has been a marked tendency in business in this country for forty years last past toward combination of capital and plant in manufacture, sale, and transportation. The moving causes have been several: First, it has rendered possible great economy; second, by a union of former competitors it has reduced the probability of excessive competition; and, third, if the combination has been extensive enough, and certain methods in the treatment of competitors and customers have been adopted, the combiners have secured a monopoly and complete control of prices or rates.

A combination successful in achieving complete control over a particular line of manufacture has frequently been called a "trust." I presume that the derivation of the word is to be explained by the fact that a usual method of carrying out the plan of the combination has been to put the capital and plants of various individuals, firms, or corporations engaged in the same business under the control of trustees.

The increase in the capital of a business for the purpose of reducing the cost of production and effecting economy in the management has become as essential in modern progress as the change from the hand tool to the machine. When, therefore, we come to construe the object of Congress in adopting the so-called "Sherman Anti-Trust Act" in 1890, whereby in the first section every contract, combination in the form of a trust or otherwise, or conspiracy in restraint of interstate or foreign trade or commerce, is condemned as unlawful and made subject to indictment and restraint by injunction; and whereby in the second section every monopoly or attempt to monopolize, and every combination or conspiracy with other persons to monopolize any part of interstate trade or commerce, is denounced as illegal and made subject to similar punishment or restraint, we must infer that the evil aimed at was not the mere bigness of the enterprise, but it was the aggregation of capital and plants with the express or implied intent to restrain interstate or foreign commerce, or to monopolize it in whole or in part.

Monopoly destroys competition utterly, and restraint of the full and free operation of competition has a tendency to restrain commerce and trade. A combination of persons, formerly engaged in trade as partnerships or corporations or otherwise, of course eliminates the competition that existed between them; but the incidental ending of that competition is not to be regarded as necessarily a direct restraint of trade, unless of such an all-embracing character that the intention and effect to restrain trade are apparent from the circumstances, or are expressly declared to be the object of the combination. A mere incidental restraint of trade and competition is not within the inhibition of the act, but it is where the combination or conspiracy or contract is inevitably and directly a substantial restraint of competition, and so a restraint of trade, that the statute is violated.

The second section of the act is a supplement to the first. A direct restraint of trade, such as is condemned in the first section, if successful and used to suppress competition, is one of the commonest methods of securing a trade monopoly, condemned in the second section.

It is possible for the owners of a business of manufacturing and selling useful articles of merchandise so to conduct their business as not to violate the inhibitions of the antitrust law and yet to secure to themselves the benefit of the economies of management and of production due to the concentration under one control of large capital and many plants. If they use no other inducement than the constant low price of their product and its good quality to attract custom, and their business is a profitable one, they violate no law. If their actual competitors are small in comparison with the total capital invested, the prospect of new investments of capital by others in such a profitable business is sufficiently near and potential to restrain them in the prices at which they sell their product. But if they attempt by a use of their preponderating capital and by a sale of their goods temporarily at unduly low prices to drive out of business their competitors, or if they attempt, by exclusive contracts with their patrons and threats of nondealing except upon such contracts, or by other methods of a similar character, to use the largeness of their resources and the extent of their output compared with the total output as a means of compelling custom and frightening off competition, then they disclose a purpose to restrain trade and to establish a monopoly and violate the act.

The object of the antitrust law was to suppress the abuses of business of the kind described. It was not to interfere with a great volume of capital which, concentrated under one organization, reduced the cost of production and made its profits thereby, and took no advantage of its size by methods akin to duress to stifle competition with it.

I wish to make this distinction as emphatic as possible, because I conceive that nothing could happen more destructive to the prosperity of this country than the loss of that great economy in production which has been and will be effected in all manufacturing lines by the employment of large capital under one management. I do not mean to say that there is not a limit beyond which the economy of management by the enlargement of plant ceases; and where this happens and combination continues beyond this point, the very fact shows intent to monopolize and not to economize.

The original purpose of many combinations of capital in this country was not confined to the legitimate and proper object of reducing the cost of production. On the contrary, the history of most trades will show at times a feverish desire to unite by purchase, combination, or otherwise all plants in the country engaged in the manufacture of a particular line of goods. The idea was rife that thereby a monopoly could be effected and a control of prices brought about which would inure to the profit of those engaged in the combination. The path of commerce is strewn with failures of such combinations. Their projectors found that the union of all the plants did not prevent competition, especially where proper economy had not been pursued in the purchase and in the conduct of the business after the aggregation was complete. There were enough, however, of such successful combinations to arouse the fears of good, patriotic men as to the result of a continuance of this movement toward the concentration in the hands of a few of the absolute control of the prices of all manufactured products.

The antitrust statute was passed in 1890 and prosecutions were soon begun under it. In the case of the United States *v.* Knight, known as the " Sugar Trust case," because of the narrow scope of the pleadings, the combination sought to be enjoined was held not to be included within the prohibition of the act, because the averments did not go beyond the mere acquisition of manufacturing plants for the refining of sugar, and did not include that of a direct and intended restraint upon trade and commerce in the sale and delivery of sugar across state boundaries and in foreign trade. The result of the Sugar Trust case was not happy, in that it gave other companies and combinations seeking a similar method of making profit by establishing an absolute control and monopoly in a particular line of manufacture a sense of immunity against prosecutions in the federal jurisdiction; and where that jurisdiction is barred in respect to a business which is necessarily commensurate with the boundaries of the country, no state prosecution is able to supply the needed machinery for adequate restraint or punishment.

Following the Sugar Trust decision, however, there have come along in the slow but certain course of judicial disposition cases involving a construction of the antitrust statute and its application until now they seem to embrace every phase of that law which can be practically presented to the American public and to the Government for action. They show that the antitrust act has a wide scope and applies to many combinations in actual operation, rendering them unlawful and subject to indictment and restraint.

The Supreme Court in several of its decisions has declined to read into the statute the word "unreasonable" before "restraint of trade," on the ground that the statute applies to all restraints and does not intend to leave to the court the discretion to determine what is a reasonable restraint of trade. The expression "restraint of trade" comes from the common law, and at common law there were certain covenants incidental to the carrying out of a main or principal contract which were said to be covenants in partial restraint of trade, and were held to be enforcible because "reasonably" adapted to the performance of the main or principal contract. And under the general language used by the Supreme Court in several cases, it would seem that even such incidental covenants in restraint of interstate trade were within the inhibition of the statute and must be condemned. In order to avoid such a result, I have thought and said that it might be well to amend the statute so as to exclude such covenants from its condemnation. A close examination of the later decisions of the court, however, shows quite clearly in cases presenting the exact question, that such incidental restraints of trade are held not to be within the law and are excluded by the general statement that, to be within the statute, the effect of the restraint upon the trade must be direct and not merely incidental or indirect. The necessity, therefore, for an amendment of the statute so as to exclude these incidental and beneficial covenants in restraint of trade held at common law to be reasonable does not exist.

In some of the opinions of the federal circuit judges there have been intimations, having the effect, if sound, to weaken the force of the statute by including within it absurdly unimportant combinations and arrangements, and suggesting therefore the wisdom of changing its language by limiting its application to serious combinations with intent to restrain competition or control prices. A reading of the opinions of the Supreme Court, however, makes the change unnecessary, for they exclude from the operation of the act contracts affecting interstate trade in but a small and incidental way, and apply the statute only to the real evil aimed at by Congress.

The statute has been on the statute book now for two decades, and the Supreme Court in more than a dozen opinions has construed it in application to various phases of business combinations and in reference to various subjects-matter. It has applied it to the union under one control of two competing interstate railroads, to joint traffic arrangements between several interstate railroads, to private manufacturers engaged in a plain attempt to control prices and suppress competition in a part of the country, including a dozen States, and to many other combinations affecting interstate trade. The value of a statute which is rendered more and more certain in its meaning by a series of decisions of the Supreme Court furnishes a strong reason for leaving the act as it is, to accomplish its useful purpose, even though if it were being newly enacted useful suggestions as to change of phrase might be made.

It is the duty and the purpose of the Executive to direct an investigation by the Department of Justice, through the grand jury or otherwise, into the history, organization, and purposes of all the industrial companies with respect to which there is any reasonable ground for suspicion that they have been organized for a purpose, and are conducting business on a plan which is in violation of the antitrust law. The work is a heavy one, but it is not beyond the power of the Department of Justice, if sufficient funds are furnished, to carry on the investigations and to pay the counsel engaged in the work. But such an investigation and possible prosecution of corporations whose prosperity or destruction affects the comfort not only of stockholders, but of millions of wage-earners, employees, and associated tradesmen must necessarily tend to disturb the confidence of the business community, to dry up the now flowing sources of capital from its places of hoarding, and produce a halt in our present prosperity that will cause suffering and strained circumstances among the innocent many for the faults of the guilty few. The question which I wish in this message to bring clearly to the consideration and discussion of Congress is whether in order to avoid such a possible business danger something can not be done by which these business combinations may be offered a means, without great financial disturbance, of changing the character, organization, and extent of their business into one within the lines of the law under Federal control and supervision, securing compliance with the antitrust statute.

Generally, in the industrial combinations called "trusts," the principal business is the sale of goods in many States and in foreign markets; in other words, the interstate and foreign business far exceeds the business done in any one State. This fact will justify the Federal Government in granting a Federal charter to such a combination to make and sell in interstate and foreign commerce the products of useful manufacture under such limitations as will secure a compliance with the antitrust law. It is possible so to frame a statute that while it offers protection to a Federal company against harmful, vexatious, and unnecessary invasion by the States, it shall subject it to reasonable taxation and control by the States, with respect to its purely local business.

Many people conducting great businesses have cherished a hope and a belief that in some way or other a line may be drawn between "good trusts" and "bad trusts," and that it is possible by amendment to the antitrust law to make a distinction under which good combinations may be permitted to organize, suppress competition, control prices, and do it all legally if only they do not abuse the power by taking too great profit out of the business. They point with force to certain notorious trusts as having grown into power through criminal methods by the use of illegal rebates and plain cheating, and by various acts utterly violative of business honesty or morality, and urge the establishment of some legal line of separation by which "criminal trusts" of this kind can be punished, and they, on the other hand, be permitted under the law to carry on their business. Now the public, and especially the business public, ought to rid themselves of the idea that such a distinction is practicable or can be introduced into the statute. Certainly under the present antitrust law no such distinction exists. It has been proposed, however, that the word "reasonable" should be made a part of the statute, and then that it should be left to the court to say what is a reasonable restraint of trade, what is a reasonable suppression of competition, what is a reasonable monopoly. I venture to think that this is to put into the hands of the court a power impossible to exercise on any consistent principle which will insure the uniformity of decision essential to just judgment. It is to thrust upon the courts a burden that they have no precedents to enable them to carry, and to give them a power approaching the arbitrary, the abuse of which might involve our whole judicial system in disaster.

In considering violations of the antitrust law we ought, of course, not to forget that that law makes unlawful, methods of carrying on business which before its passage were regarded as evidence of business sagacity and success, and that they were denounced in this act not because of their intrinsic immorality, but because of the dangerous results toward which they tended, the concentration of industrial power in the hands of the few, leading to oppression and injustice. In dealing, therefore, with many of the men who have used the methods condemned by the statute for the purpose of maintaining a profitable business, we may well facilitate a change by them in the method of doing business, and enable them to bring it back into the zone of lawfulness without losing to the country the economy of management by which in our domestic trade the cost of production has been materially lessened and in competition with foreign manufacturers our foreign trade has been greatly increased.

Through all our consideration of this grave question, however, we must insist that the suppression of competition, the controlling of prices, and the monopoly or attempt to monopolize in interstate commerce and business, are not only unlawful, but contrary to the public good, and that they must be restrained and punished until ended.

I, therefore, recommend the enactment by Congress of a general law providing for the formation of corporations to engage in trade and commerce among the States and with foreign nations, protecting them from undue interference by the States and regulating their activities, so as to prevent the recurrence, under national auspices, of those abuses which have arisen under state control. Such a law should provide for the issue of stock of such corporations to an amount equal only to the cash paid in on the stock; and if the stock be issued for property, then at a fair valuation, ascertained under approval and supervision of federal authority, after a full and complete disclosure of all the facts pertaining to the value of such property and the interest therein of the persons to whom it is proposed to issue stock in payment of such property. It should subject the real and personal property only of such corporations to the same taxation as is imposed by the States within which it may be situated upon other similar property located therein, and it should require such corporations to file full and complete reports of their operations with the Department of Commerce and Labor at regular intervals. Corporations organized under this act should be prohibited from acquiring and holding stock in other corporations (except for special reasons upon approval by the proper federal authority), thus avoiding the creation, under national auspices, of the holding company with subordinate corporations in different States, which has been such an effective agency in the creation of the great trusts and monopolies.

If the prohibition of the antitrust act against combinations in restraint of trade is to be effectively enforced, it is essential that the National Government shall provide for the creation of national corporations to carry on a legitimate business throughout the United States. The conflicting laws of the different States of the Union with respect to foreign corporations make it difficult, if not impossible, for one corporation to comply with their requirements so as to carry on business in a number of different States.

To the suggestion that this proposal of federal incorporation for industrial combinations is intended to furnish them a refuge in which to continue industrial abuses under federal protection, it should be said that the measure contemplated does not repeal the Sherman antitrust law and is not to be framed so as to permit the doing of the wrongs which it is the purpose of that law to prevent, but only to foster a continuance and advance of the highest industrial efficiency without permitting industrial abuses.

Such a national incorporation law will be opposed, first, by those who believe that trusts should be completely broken up and their property destroyed. It will be opposed, second, by those who doubt the constitutionality of such federal incorporation, and even if it is valid, object to it as too great federal centralization. It will be opposed, third, by those who will insist that a mere voluntary incorporation like this will not attract to its acceptance the worst of the offenders against the antitrust statute and who will, therefore, propose instead of it a system of compulsory licenses for all federal corporations engaged in interstate business.

Let us consider these objections in their order. The Government is now trying to dissolve some of these combinations, and it is not the intention of the Government to desist in the least degree in its effort to end those combinations which are to-day monopolizing the commerce of this country; that where it appears that the acquisition and concentration of property go to the extent of creating a monopoly or of substantially and directly restraining interstate commerce, it is not the intention of the Government to permit this monopoly to exist under federal incorporation or to transfer to the protecting wing of the Federal Government a state corporation now violating the Sherman Act. But it is not, and should not be, the policy of the Government to prevent reasonable concentration of capital which is necessary to the economic development of manufacture, trade, and commerce. This country has shown a power of economical production that has astonished the world, and has enabled us to compete with foreign manufactures in many markets. It should be the care of the Government to permit such concentration of capital while keeping open the avenues of individual enterprise, and the opportunity for a man or corporation with reasonable capital to engage in business. If we would maintain our present business supremacy, we should give to industrial concerns an opportunity to reorganize and to concentrate their legitimate capital in a federal corporation, and to carry on their large business within the lines of the law.

Second. There are those who doubt the constitutionality of such Federal incorporation. The regulation of interstate and foreign commerce is certainly conferred in the fullest measure upon Congress, and if for the purpose of securing in the most thorough manner that kind of regulation, Congress shall insist that it may provide and authorize certain agencies to carry on that commerce, it would seem to be within its power. This has been distinctly affirmed with respect to railroad companies doing an interstate business and interstate bridges. The power of incorporation has been exercised by Congress and upheld by the Supreme Court in this regard. Why, then, with respect to any other form of interstate commerce like the sale of goods across State boundaries and into foreign commerce, may the same power not be asserted? Indeed, it is the very fact that they carry on interstate commerce that makes these great industrial concerns subject to Federal prosecution and control. How far as incidental to the carrying on of that commerce it may be within the power of the Federal Government to authorize the manufacture of goods is, perhaps, more open to discussion, though a recent decision of the Supreme Court would seem to answer that question in the affirmative.

Even those who are willing to concede that the Supreme Court may sustain such federal incorporation are inclined to oppose it on the ground of its tendency to the enlargement of the federal power at the expense of the power of the States. It is a sufficient answer to this argument to say that no other method can be suggested which offers federal protection on the one hand and close federal supervision on the other of these great organizations that are in fact federal because they are as wide as the country and are entirely unlimited in their business by state lines. Nor is the centralization of federal power under this act likely to be excessive. Only the largest corporations would avail themselves of such a law, because the burden of complete federal supervision and control that must certainly be imposed to accomplish the purpose of the incorporation would not be accepted by an ordinary business concern.

The third objection, that the worst offenders will not accept federal incorporation, is easily answered. The decrees of injunction recently adopted in prosecutions under the antitrust law are so thorough and sweeping that the corporations affected by them have but three courses before them:

First, they must resolve themselves into their component parts in the different States, with a consequent loss to themselves of capital and effective organization and to the country of concentrated energy and enterprise; or,

Second, in defiance of law and under some secret trust they must attempt to continue their business in violation of the federal statute, and thus incur the penalties of contempt and bring on an inevitable criminal prosecution of the individuals named in the decree and their associates; or, Third, they must reorganize and accept in good faith the federal charter I suggest.

A federal compulsory license law, urged as a substitute for a federal incorporation law, is unnecessary except to reach that kind of corporation which, by virtue of the considerations already advanced, will take advantage voluntarily of an incorporation law, while the other state corporations doing an interstate business do not need the supervision or the regulation of a federal license and would only be unnecessarily burdened thereby.

The Attorney-General, at my suggestion, has drafted a federal incorporation bill, embodying the views I have attempted to set forth, and it will be at the disposition of the appropriate committees of Congress.

WILLIAM H. TAFT.

SPECIAL MESSAGE

THE WHITE HOUSE, *January 14, 1910.*

To the Senate and House of Representatives:

In my annual message I reserved the subject of the conservation of our national resources for discussion in a special message, as follows:

> "In several Departments there is presented the necessity for legislation looking to the further conservation of our national resources, and the subject is one of such importance as to require a more detailed and extended discussion than can be entered upon in this communication. For that reason I shall take an early opportunity to send a special message to Congress on the subject of the improvement of our waterways; upon the reclamation and irrigation of arid, semiarid, and swamp lands; upon the preservation of our forests and the reforesting of suitable areas; upon the reclassification of the public domain with a view of separating from agricultural settlement mineral, coal, and phosphate lands and sites belonging to the Government bordering on streams suitable for the utilization of water power."

In 1860 we had a public domain of 1,055,911,288 acres. We have now 731,354,081 acres, confined largely to the mountain ranges and the arid and semiarid plains. We have, in addition, 368,035,975 acres of land in Alaska.

The public lands were, during the earliest administrations, treated as a national asset for the liquidation of the public debt and as a source of reward for our soldiers and sailors. Later on they were donated in large amounts in aid of the construction of wagon roads and railways, in order to open up regions in the West then almost inac-

PAYSTREAK SALOO

ALASKAN SCENES

ALASKA.

Few bargains driven by the United States have proved so profitable as that by which Alaska was purchased from Russia in 1867 for the sum of $7,200,000. With the discovery of gold in the Klondike in 1896 occurred a great influx of settlers, and the new territory became governed by adequate and comprehensive legislation. In more recent years, the settlers have been substantial people seriously intent upon developing Alaska's commercial opportunities, and the atmosphere of rough-and-ready adventure with which legend endowed Alaska in the Klondike days is now conspicuous mostly by its absence. The administration of Alaska lies in the hands of the Department of the Interior, although there is a Territorial legislature. (For more detailed description of Alaska, see the article Alaska in the Encyclopedic Index.)

cessible. All the principal land statutes were enacted more than a quarter of a century ago. The homestead act, the preemption and timber-culture act, the coal land and the mining acts were among these. The rapid disposition of the public lands under the early statutes, and the lax methods of distribution prevailing, due, I think, to the belief that these lands should rapidly pass into private ownership, gave rise to the impression that the public domain was legitimate prey for the unscrupulous, and that it was not contrary to good morals to circumvent the land laws. This prodigal manner of disposition resulted in the passing of large areas of valuable land and many of our national resources into the hands of persons who felt little or no responsibility for promoting the national welfare through their development. The truth is that title to millions of acres of public lands was fraudulently obtained, and that the right to recover a large part of such lands for the Government long since ceased by reason of statutes of limitations.

There has developed in recent years a deep concern in the public mind respecting the preservation and proper use of our national resources. This has been particularly directed toward the conservation of the resources of the public domain. The problem is how to save and how to utilize, how to conserve and still develop; for no sane person can contend that it is for the common good that Nature's blessings are only for unborn generations.

Among the most noteworthy reforms initiated by my distinguished predecessor were the vigorous prosecution of land frauds and the bringing to public attention of the necessity for preserving the remaining public domain from further spoliation, for the maintenance and extension of our forest resources, and for the enactment of laws amending the obsolete statutes so as to retain governmental control over that part of the public domain in which there are valuable deposits of coal, of oil, and of phosphate, and, in addition thereto, to preserve control, under conditions favorable to the public, of the lands along the streams in which the fall of water can be made to generate power to be transmitted in the form of electricity many miles to the point of its use, known as "water-power" sites.

The investigations into violations of the public land laws and the prosecution of land frauds have been vigorously continued under my administration, as has been the withdrawal of coal lands for classification and valuation and the temporary withholding of power sites.

Since March 4, 1909, temporary withdrawals of power sites have been made on 102 streams and these withdrawals therefore cover 229 per cent. more streams than were covered by the withdrawals made prior to that date.

The present statutes, except so far as they dispose of the precious metals and the purely agricultural lands, are not adapted to carry out the modern view of the best disposition of public lands to private ownership, under conditions offering on the one hand sufficient inducement to private capital to take them over for proper development, with restrictive conditions on the other which shall secure to the public that character of control which will prevent a monopoly or misuse of the lands or their products. The power of the Secretary of the Interior to withdraw from the operation of existing statutes tracts of land, the disposition of which under such statutes would be detrimental to the public interest, is not clear or satisfactory. This power has been exercised in the interest of the public, with the hope that Congress might affirm the action of the Executive by laws adapted to the new conditions. Unfortunately, Congress has not thus far fully acted on the recommendations of the Executive, and the question as to what the Executive is to do is, under the circumstances, full of difficulty. It seems to me that it is the duty of Congress now, by a statute, to validate the withdrawals which have been made by the Secretary of the Interior and the President, and to authorize the Secretary of the Interior temporarily to withdraw lands pending submission to Congress of recommendations as to legislation to meet conditions or emergencies as they arise.

One of the most pressing needs in the matter of public-land reform is that lands should be classified according to their principal value or use. This ought to be done by that Department whose force is best adapted to that work. It should be done by the Interior Department through the Geological Survey. Much of the confusion, fraud, and contention which has existed in the past has arisen from the lack of an official and determinative classification of the public lands and their contents.

It is now proposed to dispose of agricultural lands as such, and at the same time to reserve for other disposition the treasure of coal, oil, asphaltum, natural gas, and phosphate contained therein. This may be best accomplished by separating the right to mine from the title to the surface, giving the necessary use of so much of the latter as may be required for the extraction of the deposits. The surface might be disposed of as agricultural land under the general agricultural statutes, while the coal or other mineral could be disposed of by lease on a royalty basis, with provisions requiring a certain amount of development each year; and in order to prevent the use and cession of such lands with others of similar character so as to constitute a monopoly forbidden by law, the lease should contain suitable provision subjecting to forfeiture the interest of persons participating in such monopoly. Such law should apply to Alaska as well as to the United States.

It is exceedingly difficult to frame a statute to retain government control over a property to be deveolped by private capital in such manner as to secure the governmental purpose and at the same time not to frighten away the investment of the necessary capital. Hence, it may be necessary by laws that are really only experimental to determine from their practical operation what is the best method of securing the result aimed at.

The extent of the value of phosphate is hardly realized, and with the need that there will be for it as the years roll on and the necessity for fertilizing the land shall become more acute, this will be a product which will probably attract the greed of monopolists.

With respect to the public land which lies along the streams offering opportunity to convert water power into transmissible electricity, another important phase of the public-land question is presented. There are valuable water-power sites through all the public-land States. The opinion is held that the transfer of sovereignty from the Federal Government to the territorial government as they become States included the water power in the rivers except so far as that owned by riparian proprietors. I do not think it necessary to go into a discussion of this somewhat mooted question of law. It seems to me sufficient to say that the man who owns and controls the land along the stream from which the power is to be converted and transmitted owns land which is indispensable to the conversion and use of that power. I can not conceive how the power in streams flowing through public lands can be made available at all except by using the land itself as the site for the construction of the plant by which the power is generated and converted and securing a right of way thereover for transmission lines. Under these conditions, if the Government owns the adjacent land—indeed, if the Government is the riparian owner—it may control the use of the water power by imposing proper conditions on the disposition of land necessary in the creation and utilization of the water power.

The development in electrical appliances for the conversion of the water power into electricity to be transmitted long distances has progressed so far that it is no longer problematical, but it is a certain inference that in the future the power of the water falling in the streams to a large extent will take the place of natural fuels. In the disposition of that domain already granted, many water-power sites have come under absolute ownership, and may drift into one ownership, so that all the water power under private ownership shall be a monopoly. If, however, the water-power sites now owned by the Government—and there are enough of them—shall be disposed of to private persons for the investment of their capital in such a way as to prevent their union for purposes of monopoly with other water-power sites, and under conditions that shall limit the right of use to not exceeding fifty years with proper means for determining a reasonable graduated rental, and with some equitable provision for fixing terms of renewal, it would seem entirely possible to prevent the absorption of these most useful lands by a power monopoly. As long as the Government retains control and can prevent their improper union with other plants, competition must be maintained and prices kept reasonable.

In considering the conservation of the natural resources of the country, the feature that transcends all others, including woods, waters, minerals, is the soil of the country. It is incumbent upon the Government to foster by all available means the resources of the country that produce the food of the people. To this end the conservation of the soils of the country should be cared for with all means at the Government's disposal. Their productive powers should have the attention of our scientists that we may conserve the new soils, improve the old soils, drain wet soils, ditch swamp soils, levee river overflow soils, grow trees on thin soils, pasture hillside soils, rotate crops on all soils, discover methods for cropping dry-land soils, find grasses and legumes for all soils, feed grains and mill feeds on the farms where they originate, that the soils from which they come may be enriched.

A work of the utmost importance to inform and instruct the public on this chief branch of the conservation of our resources is being carried on successfully in the Department of Agriculture; but it ought not to escape public attention that State action in addition to that of the Department of Agriculture (as for instance in the drainage of swamp lands) is essential to the best treatment of the soils in the manner above indicated.

The act by which, in semiarid parts of the public domain, the area of the homestead has been enlarged from 160 to 320 acres has resulted most beneficially in the extension of " dry farming," and in the demonstration which has been made of the possibility, through a variation in the character and mode of culture, of raising substantial crops without the presence of such a supply of water as heretofore has been thought to be necessary for agriculture.

But there are millions of acres of completely arid land in the public domain which, by the establishment of reservoirs for the storing of water and the irrigation of the lands, may be made much more fruitful and productive than the best lands in a climate where the moisture comes from the clouds. Congress recognized the importance of this method of artificial distribution of water on the arid lands by the passage of the reclamation act. The proceeds of the public lands creates the fund to build the works needed to store and furnish the necessary water, and it was left to the Secretary of the Interior to determine what projects should be selected among those suggested, and to direct the Reclamation Service, with the funds at hand and through the engineers in its employ, to construct the works.

No one can visit the Far West and the country of arid and semiarid lands without being convinced that this is one of the most important methods of the conservation of our natural resources that the Government has entered upon. It would appear that over 30 projects have been undertaken, and that a few of these are likely to be unsuccessful because of lack of water, or for other reasons, but generally the work which has been done has been well done, and many important engineering problems have been met and solved.

One of the difficulties which has arisen is that too many projects in view of the available funds have been set on foot. The funds available under the reclamation statute are inadequate to complete these projects within a reasonable time. And yet the projects have been begun; settlers have been invited to take up and, in many instances, have taken up, the public land within the projects, relying upon their prompt completion. The failure to complete the projects for their benefit is, in effect, a breach of faith and leaves them in a most distressed condition. I urge that the nation ought to afford the means to lift them out of the very desperate condition in which they now are. This condition does not indicate any excessive waste or any corruption on the part of the Reclamation Service. It only indicates an overzealous desire to extend the benefit of reclamation to as many acres and as many States as possible. I recommend therefore that authority be given to issue not exceeding $30,000,000 of bonds from time to time, as the Secretary of the Interior shall find it necessary, the proceeds to be applied to the completion of the projects already begun and their proper extension, and the bonds running ten years or more to be taken up by the proceeds of returns to the reclamation fund, which returns, as the years go on, will increase rapidly in amount.

There is no doubt at all that if these bonds were to be allowed to run ten years, the proceeds from the public lands, together with the rentals for water furnished through the completed enterprises, would quickly create a sinking fund large enough to retire the bonds within the time specified. I hope that, while the statute shall provide that these bonds are to be paid out of the reclamation fund, it will be drawn in such a way as to secure interest at the lowest rate, and that the credit of the United States will be pledged for their redemption.

I urge consideration of the recommendations of the Secretary of the Interior in his annual report for amendments of the reclamation act, proposing other relief for settlers on these projects.

Respecting the comparatively small timbered areas on the public domain not included in national forests because of their isolation or their special value for agricultural or mineral purposes, it is apparent from the evils resulting by virtue of the imperfections of existing laws for the disposition of timber lands that the acts of June 3, 1878, should be repealed and a law enacted for the disposition of the timber at public sale, the lands after the removal of the timber to be subject to appropriation under the agricultural or mineral land laws.

What I have said is really an epitome of the recommendations of the Secretary of the Interior in respect to the future conservation of the public domain in his present annual report. He has given close attention to the problem of disposition of these lands under such conditions as to invite the private capital necessary to their development on the one hand, and the maintenance of the restrictions necessary to prevent monopoly and abuse from absolute ownership on the other. These recommendations are incorporated in bills he has prepared, and they are at the disposition of the Congress. I earnestly recommend that all the suggestions which he has made with respect to these lands shall be embodied in statutes, and, especially, that the withdrawals already made shall be validated so far as necessary and that the authority of the Secretary of the Interior to withdraw lands for the purpose of submitting recommendations as to future disposition of them where new legislation is needed shall be made complete and unquestioned.

The forest reserves of the United States, some 190,000,000 acres in extent, are under the control of the Department of Agriculture, with authority adequate to preserve them and to extend their growth so far as that may be practicable. The importance of the maintenance of our forests can not be exaggerated. The possibility of a scientific treatment of forests so that they shall be made to yield a large return in timber without really reducing the supply has been demonstrated in other countries, and we should work toward the standard set by them as far as their methods are applicable to our conditions.

Upwards of 400,000,000 acres of forest land in this country are in private ownership, but only 3 per cent. of it is being treated scientifically and with a view to the maintenance of the forests. The part played by the forests in the equalization of the supply of water on watersheds is a matter of discussion and dispute, but the general benefit to be derived by the public from the extension of forest lands on watersheds and the promotion of the growth of trees in places that are now denuded and that once had great flourishing forests, goes without saying. The control to be exercised over private owners in their treatment of the forests which they own is a matter for state and not national regulation, because there is nothing in the Constitution that authorizes the Federal Government to exercise any control over forests within a State, unless the forests are owned in a proprietary way by the Federal Government.

It has been proposed, and a bill for the purpose passed the Lower House in the last Congress, that the National Government appropriate a certain amount each year out of the receipts from the forestry business of the Government to institute reforestation at the sources of certain navigable streams, to be selected by the Geological Survey, with a view to determining the practicability of thus improving and protecting the streams for federal purposes. I think a moderate expenditure for each year for this purpose, for a period of five or ten years, would be of the utmost benefit in the development of our forestry system.

I come now to the improvement of the inland waterways. He would be blind, indeed, who did not realize that the people of the entire West, and especially those of the Mississippi Valley, have been aroused to the need there is for the improvement of our inland waterways. The Mississippi River, with the Missouri on the one hand and the Ohio on the other, would seem to offer a great natural means of interstate transportation and traffic. How far, if properly improved, they would relieve the railroads or supplement them in respect to the bulkier and cheaper commodities is a matter of conjecture. No enterprise ought to be undertaken the cost of which is not definitely ascertained and the benefit and advantages of which are not known and assured by competent engineers and other authority. When, however, a project of a definite character for the improvement of a waterway has been developed so that the plans have been drawn, the cost definitely estimated, and the traffic which will be accommodated is reasonably probable, I think it is the duty of Congress to undertake the project and make provision therefor in the proper appropriation bill.

One of the projects which answers the description I have given is that of introducing dams into the Ohio River from Pittsburg to Cairo, so as to maintain at all seasons of the year, by slack water, a depth of 9 feet. Upward of seven of these dams have already been constructed and six are under construction, while the total required is fifty-four. The remaining cost is known to be $63,000,000.

It seems to me that in the development of our inland waterways it would be wise to begin with this particular project and carry it through as rapidly as may be. I assume from reliable information that it can be constructed economically in twelve years.

What has been said of the Ohio River is true in a less complete way of the improvement of the upper Mississippi from St. Paul to St. Louis, to a constant depth of 6 feet, and of the Missouri, from Kansas City to St. Louis, to a constant depth of 6 feet and from St. Louis to Cairo to a depth of 8 feet. These projects have been pronounced practical by competent boards of army engineers, their cost has been estimated, and there is business which will follow the improvement.

I recommend, therefore, that the present Congress, in the river and harbor bill, make provision for continuing contracts to complete these improvements.

As these improvements are being made, and the traffic encouraged by them shows itself of sufficient importance, the improvement of the Mississippi beyond Cairo down to the Gulf, which is now going on with the maintenance of a depth of 9 feet everywhere, may be changed to another and greater depth if the necessity for it shall appear to arise out of the traffic which can be delivered on the river at Cairo.

I am informed that the investigation by the waterways commission in Europe shows that the existence of a waterway by no means assures traffic unless there is traffic adapted to water carriage at cheap rates at one end or the other of the stream. It also appears in Europe that the depth of the non-tidal streams is rarely more than 6 feet, and never more than 10. But it is certain that enormous quantities of merchandise are transported over the rivers and canals in Germany and France and England, and it is also certain that the existence of such methods of traffic materially affects the rates which the railroads charge, and it is the best regulator of those rates that we have, not even excepting the governmental regulation through the Interstate Commerce Commission. For this reason, I hope that this Congress will take such steps that it may be called the inaugurator of the new system of inland waterways.

For reasons which it is not necessary here to state, Congress has seen fit to order an investigation into the Interior Department and the Forest Service of the Agricultural Department. The results of that investigation are not needed to determine the value of, and the necessity for, the new legislation which I have recommended in respect to the public lands and in respect to reclamation. I earnestly urge that the measures recommended be taken up and disposed of promptly, without awaiting the investigation which has been determined upon.

WILLIAM H. TAFT.

THE WHITE HOUSE, *January 25, 1910.*

To the Senate and House of Representatives:

I transmit herewith a report by the Secretary of State setting out reasons why the invitation extended by the Government of Italy to that of the United States to participate in two international expositions which, in commemoration of the fiftieth anniversary of the

Kingdom of Italy, will be held at Rome and Turin, respectively, in 1911, should be accepted and provision made by Congress to enable the United States fittingly to take part in the expositions.

Deeming international expositions of the comprehensive character of those it is intended to hold in Italy next year to be instructive agencies of the industrial development of the world and important instrumentalities in the advancement of trade relations, I give my cordial approval to the recommendation made by the Secretary of State and urge upon Congress timely provision in accordance therewith.

WILLIAM H. TAFT.

[NOTE: The letter from the Secretary of State recommended that, in view of the Italian Government's cordial invitation; the unanimity of other Powers in accepting same; the Italian Government's appropriation of $170,000 for representation in the Louisiana Purchase Exposition; the material consideration of commercial benefits to be derived; the fact that of Italy's $923,000,000 world trade the United States received in 1907 only twelve per cent; the increasing volume of commerce between the two countries, and the excellent transportation facilities already existing to carry American goods, an appropriation of $130,000 be authorized by Congress to enable the United States fittingly to participate in the two expositions at Rome and Turin.]

THE WHITE HOUSE, *January 29, 1910.*

To the Senate and House of Representatives:

I beg to transmit herewith a report made to me by the Secretary of War upon the conditions found by him to exist in the island of Porto Rico during a visit made at my request. The people of Porto Rico, if we may judge by the expressions of the political parties in the island, have been anxious to secure amendments to the so-called "Foraker law," and especially a declaration by Congress making those who are now Porto Rican citizens under the Foraker law American citizens.

I commend to Congress the consideration of the report of the Secretary of War and recommend the adoption of his suggestions, which have been embodied in a bill amending the so-called "Foraker Act." This bill is at the disposition of Congress. The Secretary suggests not an act making all Porto Rican citizens American citizens with or without their consent, but an act to provide machinery by which Porto Rican citizens who shall make the proper application for citizenship to a proper court shall become American citizens upon taking the oath of allegiance to the United States. After a certain date the right to vote and to hold office is to be confined to American citizens, and only those American citizens are to enjoy the franchise who can satisfy certain educational or property qualifications. At present there is manhood suffrage in the island, and, as a very large percentage of the voters are unable to read or write, the electorate is not one which should be intrusted with the government. It is much better in the interests of the people of the island that the suffrage should be limited by an educational and property qualification.

I do not comment on the other changes in the laws recommended by the Secretary, because he sufficiently discusses them, and his arguments need no addition from me.

WILLIAM H. TAFT.

[NOTE: This Message was accompanied by a letter from the Secretary of War, in which he submitted to the President, as the fruits of his visit to Porto Rico, the following observations and recommendations:

First.—There is a general and almost universal desire and demand of all classes, interests, and political parties for American citizenship for the people of Porto Rico collectively. However, many men, both Americans and natives, of such education, character, and general knowledge of the affairs of the island as to make their judgment valuable, are of the opinion that, owing to the preponderance of illiterate persons and the tendency to boss rule, such a system would be disastrous to the health and economic and political welfare of the island, would jeopardize investments, retard healthy development, would eventuate in the enforced withdrawal by the United States of powers too hastily granted, and would therefore set back the realization of local self-government. For these reasons, the Secretary of War recommended that provision be made for admitting at any time citizens of Porto Rico to citizenship in the United States, upon application to the courts and upon swearing allegiance, with the condition that after a reasonable period no one except a citizen of the United States shall hold an elective or appointive office, and with the further condition that after the next general election no one may vote except those who are citizens of the United States and are able to read and write, or who own, directly or through a firm, taxable property, or can produce to the registration officials tax receipts of any kind not more than six months old.

Second.—There is a general and insistent demand for an elective Senate. Owing to the same considerations which figured in the citizenship question—namely, the prevailing illiteracy and the tendency to vote at the behest of bosses and employers—the Secretary recommends only a partial assent to this demand, in the shape of a senate of thirteen members, five to be elective and eight to be appointed by the President of the United States, which would be regarded, he believes, as a step toward a grant of larger political power.

Third.—Owing to lack of discipline among subordinate executives, the Secretary recommends increasing the power of the governor over department heads.

Fourth.—Elections every two years being regarded as unnecessary and expensive, the Secretary recommends changing to an election every four years.

Fifth.—The sanitary conditions being unsatisfactory, the Secretary recommends the appropriation of $200,000 by Congress for the purpose of initiating a campaign against the anæmia among the Porto Ricans caused by the hookworm.

Sixth.—Individual holdings of sugar land being limited to 500 acres and it being impossible profitably to operate the essential expensive machinery to treat the product of so limited a territory, the Secretary recommends that the organic law be changed so as to permit an individual to hold 5,000 acres.]

THE WHITE HOUSE, *February 7, 1910.*

To the Senate and House of Representatives:

I submit herewith copy of a letter from the Secretary of the Treasury inclosing a memorandum and letter from the Director of the Mint relative to a modification of the deviations now allowed by law from the standard weight of the silver coins of the United States.

The Secretary of the Treasury approves of the suggestion of the Director of the Mint, and it is recommended by both that section 3536 of the Revised Statutes be amended by striking out the following words:

> And in weighing a large number of pieces together, when delivered by the coiner to the superintendent, and by the superintendent to the depositor, the deviations from the standard weight shall not exceed two-hundredths of an ounce in one thousand dollars, half-dollars, or quarter-dollars, and one-hundredth of an ounce in one thousand dimes.

From the memorandum prepared by the Director of the Mint it is apparent that a saving in the manufacture of subsidiary silver coin would be effected by amending section 3536 of the Revised Statutes as proposed, and I recommend that favorable action be taken by the Congress.

WILLIAM H. TAFT.

[NOTE: This Message was accompanied by a letter from the Director of the Mint to the effect that as the present law provides that individual half dollars, quarter dollars, and dimes may deviate 1.5 grains from standard weight, 1,000 of these coins might weigh 1,500 grains below standard and yet, as individual coins, be acceptable; whereas, under the law governing deliveries of coins in quantities, 1,000 half dollars or quarter dollars must be so mixed that the deviation from standard shall be only 9.6 grains, the greatest deviation allowable in dimes being only 4.8 grains per 1,000. To comply with this requirement each half dollar and quarter dollar must be weighed thrice, once by hand and twice by machinery, and then mingled so as not to exceed the maximum deviation. By dispensing with unnecessary weighing and mixing, the Government could decrease its annual expenditure by $30,000 at least, the Director of the Mint concludes.]

THE WHITE HOUSE, *February 21, 1910.*

To the Senate and the House of Representatives:

I transmit herewith a communication from the Secretary of State transmitting a report on the International Opium Commission and on the opium problem as seen within the United States and its possessions, prepared by Mr. Hamilton Wright on behalf of the American delegates to the said commission, held at Shanghai in February, 1909. In reference to this report the Secretary of State makes certain recommendations regarding an appropriation and other legislative action, which I commend to the Congress with my approval and the request that action should be taken accordingly.

WILLIAM H. TAFT.

[NOTE: This Message was accompanied by a letter to the President from the Secretary of State in which the latter recommended that the Congress appropriate $25,000 for purposes of international conference and investigation as to the opium evil, and that the act regulating drug traffic in the District of Columbia be applied and extended to United States consular districts and federal judicial jurisdiction in China. With his letter the Secretary transmitted to the President the report mentioned.

The report observes that though the United States had steadily opposed the Far Eastern traffic in opium by treaties prohibiting Americans from engaging therein, yet by the admission of so-called medicinal opium it had unwittingly assisted the enormous growth in the manufacture of morphia; so that, despite State and municipal laws, these opium products, together with the newly discovered drug cocaine, set their noxious tentacles upon rapidly increasing numbers of people of all social ranks, producing abnormal criminality and unusual forms of violence. Citing the beneficial operation of the act of February, 1909, prohibiting the importation of other than medicinal opium, the report recommended that the triangle be completed by (*a*) acts (of which it submitted drafts) to govern interstate traffic in habit-forming drugs, and (*b*) an internal revenue law taxing out of existence manufacturers of opium products for other than medicinal use.

The results effected by the International Opium Commission were an agreement to suppress as effectually as possible opium smoking in China, France, Germany, Great Britain, Japan, Holland, Portugal, Russia, Austria-Hungary, Italy, Siam, and Persia, besides the United States; an agreement to adopt reasonable measures to prevent shipment of morphia from their ports to ports of countries which prohibit entry; an agreement that opium resorts in foreign concessions or settlements in China should be closed; and an agreement that each should apply its pharmacy laws to its consular districts in China.]

THE WHITE HOUSE, *February 25, 1910.*

To the Senate and House of Representatives:

I wish to bring to the attention of the Congress the urgent need of legislation for the improvement of the personnel of the navy.

I am strongly of the opinion that the future of our navy will be seriously compromised unless the ages of our senior officers are materially reduced, and opportunity is given thereby for experience and training for battle ship and fleet commands.

Under our present system the average age of captains is 55 years and of rear-admirals 60½ years.

This is the direct result of an absurd system which allows nearly all officers, provided they retain their health, to pass through the various grades and retire as rear-admirals.

The greater number of our older commanding officers have had inadequate experience in command. Experience in command of a large vessel in the battle fleet is essential to the command of a division or squadron of the fleet, and preliminary training in flag-officers' duties is necessary before succeeding to the chief command of a fleet. We are now training officers in command of battle ships and armored cruisers many of whom can not serve as flag officers on account of their short time on the active list after reaching that grade.

The line of the navy is in an abnormal condition, the result of past legislation.

There is still a "hump" in the flag and command grades, there is a great deficiency of officers of suitable ages for the intermediate grades, there is the beginning of a new "hump" in the lower grades, and the total of all the grades is very considerably short of the requirements of the service.

The Congress in 1903 authorized an increase in the number of midshipmen at the Naval Academy, without increasing correspondingly the grades of officers, and the result is now a large "hump" near the bottom of the list, due to the large classes graduated since that date. Unless legislation relieves the situation, these young officers will have little promotion for many years to come. From now on about 160 officers per year will enter the junior lieutenants' grade, and, under existing law, but 40 a year will be promoted out of it; so that that grade will increase out of proportion to the others.

The following table shows the ages of the oldest and youngest, and the average ages of the flag officers of different grades and captains in the English, French, German, Italian, Austrian, and United States navies at the present time (about Jan. 1, 1910):

	Great Britain.			France.			Germany.			Japan.		
	Oldest.	Youngest.	Average.	Oldest.	Youngest.	Average.	Oldest.	Youngest.	Average.	Oldest.	Youngest.	Average.
Admirals of the fleet	70	65	68	.....	.....	.....	(1 only, active.)			.....	.....	.....
Admirals	64	59	62	.....	.....	.....	61	58	60	67	48	60
Vice-admirals	62	53	59	64	58	62	57	54	55	60	50	54
Rear-admirals	58	46	53	62	54	59	54	49	51	53	42	50
Captains	53	36	44	60	47	54	51	41	45	51	41	45

	Italy.			Austria-Hungary.			United States.		
	Oldest.	Youngest.	Average.	Oldest.	Youngest.	Average.	Oldest.	Youngest.	Average.
Admirals of the fleet	.....	.....	.....	.....	.....	.....	(1 admiral of the navy, special.)		
Admirals	(1 only, 54.)			(1 only, 66.)			.....	.....	.....
Vice-admirals	66	60	62	65	57	61	....	....	.....
Rear-admirals	60	37	56	58	52	55	62	58	60.5
Captains	54	46	51	54	47	50	61	50	55

The average ages of rear-admirals of different countries, about January 1, 1910, were thus as follows:

	Years
Japanese	50
German	51
English	53
Austrian	55
Italian	56
French	59
American	60.5

The effect of the proposed measure would be to promote our officers to the grade of rear-admiral at an average age of 54 to 55, and to make the average of all the rear-admirals about 58.

The average ages of captains about January 1, 1910, were (from the same table) as follows:

	Years
English	44
German	45
Japanese	45
Austrian	50
Italian	51
French	54
American	55

The effect of the proposed measure would be to promote officers to the grade of captain at an average age of 46 or 47, and to make the average age of all the captains about 50.

The ages for rear-admirals and captains produced by the proposed measure are not young enough, in my opinion, for the arduous duties of the modern vessels of war and for the best success in a fleet engagement, should war come, but they are a decided improvement. To reduce the ages still further would not increase the cost; but for other reasons I am unwilling to advocate any further reduction at the present time.

The creating of higher ranking flag officers is a military necessity. Through custom and tradition, at a time when the service was small, grades higher than that of rear-admiral were regarded as rewards of merit for exceptional war service. The size of the fleet now demands two grades above that of rear-admiral, which still would not compare with the grades to be found in foreign services. The customary naval grades are admiral of the fleet (grand admiral), admiral, vice-admiral, rear-admiral. Foreign fleets are commanded by admirals and vice-admirals. In international council, or in combined operations, the American admiral, whatever the importance of his command, must assume the junior position. In our Atlantic fleet there are now four rear-admirals. There should be an admiral in command, a vice-admiral for the second squadron, and a rear-admiral for each of the other two divisions.

Considerations of proper military efficiency, as well as a due sense of national dignity, and self-respect, as befitting this great nation, urge that the existing situation shall cease.

The Secretary of the Navy has prepared a tentative bill for reorganizing the personnel of the navy, which is at the disposition of the Congress should it be desired. This proposed plan for relief meets with my hearty approval.

OUTLINE OF PROPOSED MEASURE.

The personnel of officers and men is based on the tonnage of effective ships. Increases or decreases of ships, due to authorization by Congress, or to sale or other disposal, will increase or decrease the personnel in a fixed proportion. In time, though, the increases in new tonnage will be offset by old ships struck from the list. Adequate provisions are made to guard against sudden fluctuations in the personnel.

The ratio provided is 100 men and 5 line officers and midshipmen for every 2,000 tons of ships, including ships authorized and building, the principle being followed that it takes as long to train the midshipmen and enlist and train the men as it does to build the ships.

With 1,200,000 tons of ships, as now authorized, the ultimate personnel would reach 3,000 line officers and midshipmen and 60,000 enlisted men; but under the measure as drawn, the full authorized strength of officers and men can not be reached for a number of years to come; nor, in any case, except with the approval of the Congress year by year.

The officers, as now, are to be drawn from the Naval Academy, with certain additions from the ranks, as authorized by existing law; but it is not proposed to increase the present size of the Naval Academy classes, and it is estimated that, under present conditions, it will take about eight years for the full strength of officers to be reached.

As regards the men, the present authorized strength is 44,500. The current estimates provide for 47,500, which estimates are not to be altered. In future years, if approved by the Congress, the number can be brought up gradually to the proportion required for the actual ships, the present measure not authorizing any increase.

After the grades of officers assume the fixed proportions set for them there will be an excess in the upper grades due to promotion for length of service.

Each July 1 a board of high ranking officers recommends sufficient retirements to reduce such excess.

The rate of pay for such retired officers will depend on length of service. After eighteen years they would get about one-fourth pay, after twenty years about one-third pay, after twenty-four years about one-half pay, and after thirty years three-fourths pay.

The method of retirement is an important part of the proposed plan. At present too many officers reach the highest grade and retire with the rank of senior rear-admiral without adequate return to the Government.

The present personnel law of 1899 has been in operation eleven years. In that time 304 officers have retired from age, length of service, or by operation of the law. In the next eleven years, if the proposed measure becomes operative, there will be about 138 retirements from the same causes, at a cost of less than one-half the former 304.

The lengths of service proposed for line officers in the various grades will bring promotion, at the latest, at the ages set forth following:

Age at entry	18
Ensign	22
Lieutenant (junior grade)	25
Lieutenant	28
Lieutenant-commander	36
Commander	42
Captain	47
Rear-admiral	55

The Staff Corps are put on the same basis as the line, as nearly as the requirements of the different corps will permit.

EXPENSE OF PROPOSED MEASURE.

In drawing up the measure which I have approved, a prime consideration was that there was to be no immediate increase in expense, nor, except for authorized increases in ships, any eventual increase.

On the basis of tonnage, any increase in both officers and men must be authorized each year by Congress when it authorizes ships.

The saving in this measure is principally in the retired list of the line. Under the present law and that which preceded it most retirements were from the higher grades at the higher rates of pay. Under the proposed plan, with the exception of the captains already due for promotion to the grade of rear-admiral, no increase of rank is allowed on retirement, and retirements will be distributed along the grades at rates of pay which depend on length of service.

Finally, I wish to emphasize to the Congress that this measure is intended primarily to reduce the ages of the officers in the senior grades of the line of the navy and to secure more efficient captains and flag officers.

Incidentally, it is intended to increase the efficiency of the staff corps by providing some measure of compulsory retirement for them and some increases which are necessary.

While it might be possible to include improvement in some other minor details of the line and staff corps, these matters are not directly concerned with improving the military efficiency of the fleet; and I deem it best not to complicate the desired improvement by introducing them at this time.

The wisdom of the Congress, urged by the overwhelming voice of the people of our country, has provided us with ships of the best quality. It is necessary that our personnel of officers match these superb vessels if the navy is to be at the efficiency which is vitally necessary for its chief purpose and only reason for existence.

I earnestly urge upon the Congress the passage of suitable personnel legislation.

WILLIAM H. TAFT.

THE WHITE HOUSE, *February 28, 1910.*

To the Senate and House of Representatives:

I transmit herewith a communication from the Civil Service Commission submitting draft of proposed legislation providing that any member of the United States Civil Service Commission, or any officer, examiner, clerk, employee, or other representative thereof lawfully detailed to investigate frauds or attempts to defraud the Government, or any irregularity or misconduct of any officer or agent of the United States, shall have authority to administer an oath to any witness attending to testify or depose in the course of such investigation.

The proposed legislation has my hearty approval and I commend it to the careful consideration of the Congress.

WILLIAM H. TAFT.

THE WHITE HOUSE, *February 28, 1910.*

To the Senate and House of Representatives:

I transmit herewith, for the information of the Congress, reports rendered in connection with the investigation to determine the extent and value of the coal deposits in and under the segregated coal lands of the Choctaw and Chickasaw nations in Oklahoma, which investigation has been made, under the direction of the Department of the Interior, pursuant to the act of June 21, 1906, which provides in part as follows:

> That the Secretary of the Interior is hereby authorized and directed to make practical and exhaustive investigation of the character, extent,

and value of the coal deposits in and under the segregated coal lands of the Choctaw and Chickasaw nations, in Indian Territory; and the expense thereof, not exceeding the sum of fifty thousand dollars, shall be paid out of the funds of the Choctaw and Chickasaw nations in the Treasury of the United States: *Provided*, That any and all information obtained under the provisions of this act shall be available at all times for the use of the Congress and its committees.

There are also inclosed memorials of the Choctaw Nation protesting against the payment of the expenses of this investigation from the tribal funds, and requesting the United States to purchase the surplus and undivided property of the Choctaw and Chickasaw nations.

WILLIAM H. TAFT.

[NOTE: This Message was accompanied by letters and memoranda detailing the progress of the investigation into the character, extent and value of the coal deposits in and under the segregated coal lands of the Choctaw and Chickasaw Nations in Indian Territory. The salient features of the report were that the acreage of workable coal was found to be, on unleased lands, 188,824 acres, and on leased lands, 82,129 acres, with a value, according to the Government's mining expert, of about $12,319,039. The Director of the Geological Survey estimated the value of the land in three different ways: (1) By mining the coal upon the same royalty basis and assuming that the annual production remained the same, it would take 666 years to exhaust the deposits and about $160,000,000 would be earned.

(2) By selling the land in tracts for immediate exploitation, the Director believed the Indians could obtain about $26,000,000.

(3) By purchasing the land and permitting it to be mined by other parties upon a royalty basis of 8 cents per ton, the Government could procure an annual income of $240,000. After deducting $40,000 for administrative expenses, the remaining $200,000 annual royalty would be applicable partly as interest on the bonds, by which, presumably, the necessary purchase price would be obtained, and partly as amortization. The latter item, however, because of the great length of time required to exhaust the coal, the Director considers negligible. Figuring upon this basis, the Geological Survey values the land at from $5,000,000 to $6,600,000.]

THE WHITE HOUSE, *March 14, 1910.*

To the Senate and House of Representatives:

I transmit herewith, for the information of the Congress, a report of the International Waterways Commission, dated January 8, 1910, on the regulation of Lake Erie, together with the appendix, tables, and plates.

WILLIAM H. TAFT.

[NOTE: This Message was accompanied by a report from the International Waterways Commission on the proposed erection at or near Buffalo of a submerged weir and sluice gates to regulate the depth of Lake Erie by controlling the outflow. The Report concluded as follows:—

"The advantages of regulating Lake Erie are that the low-water stages of Lake Erie will be raised about 1 foot; that of Lake St. Clair will be raised about 0.61 foot; and that of Lake Michigan-Huron about 0.27 foot, without in any case increasing the high-water stage. The disadvantages are that the oscillations in Lake Ontario are increased about 5½ inches, and low water is made lower by about 4½ inches; that the depth in the St. Lawrence canals will be diminished by about 7.66 inches; that the city of Buffalo and its southerly suburbs will suffer by increased damage from floods, and from a postponement of the date of opening navigation in the spring. In weighing these advantages and disadvantages, it is to be remembered that the persons who are to benefit by the former are not identical with those who are to suffer from the latter. As the matter stands it involves the question of damages to vested rights, which in this case is peculiarly intricate. It is our opinion that the advantages are not of such overwhelming character as to justify the two governments in entering upon that vexatious question, and we therefore recommend that the "regulation" of Lake Erie be not undertaken, meaning thereby the most complete practicable regulation such as can be secured by a dam and sluice gates located at or near Buffalo."]

THE WHITE HOUSE, *March 15, 1910.*

To the Senate and House of Representatives:

By the terms of section 1963, United States Revised Statutes, the Secretary of Commerce and Labor is directed, at the expiration of the lease which gives the North American Commercial Company the right to engage in taking fur seals on the islands of St. Paul and St. George, to enter into a new lease covering the same purpose for a period of twenty years. The present lease will expire on the 30th of April, 1910, and it is important to determine whether or not changed conditions call for a modification of the policy which has so far been followed.

The Secretary of State and the Secretary of Commerce and Labor unite in recommending a radical change of this policy. It appears that the seal herds on the islands named have been reduced to such an extent that their early extinction must be looked for unless measures for their preservation be adopted. A herd numbering 375,000 twelve years ago is now reduced to 134,000, and it is estimated that the breeding seals have been reduced in the same period of time from 130,000 to 56,000. The rapid depletion of these herds is undoubtedly to be ascribed to the practice of pelagic sealing, which prevails in spite of the constant and earnest efforts on the part of this Government to have it discontinued.

The policy which the United States has adopted with respect to the killing of seals on the islands is not believed to have had a substantial effect upon the reduction of the herd. But the discontinuance of this policy is recommended in order that the United States may be free to deal with the general question in its negotiations with foreign countries. To that end it is recommended that the leasing system be abandoned for the present, and that the Government take over entire control of the islands, including the inhabitants and the seal herds. The objection which has heretofore been made to this policy, upon the ground that the Government would engage in private business, has been deprived of practical force. The herds have been reduced to such an extent that the question of profit has become a mere incident, and the controlling question has become one of conservation.

It is recommended, therefore, that the provision for a renewal of the lease be repealed, and that instead a law be enacted to authorize the Department of Commerce and Labor to take charge of the islands, with authority to protect the inhabitants substantially as has been done in the past, and to control the seal herds as far as present conditions admit of, pending negotiations with foreign countries looking to the discontinuance of pelagic sealing. If this result can be obtained, as is confidently believed, there is every prospect that the seal herds will not only be preserved but will increase, so as to make them a source of permanent income.

A draft of a bill covering this matter has been prepared by the Secretary of Commerce and Labor, and upon request will be submitted to the appropriate committees.

WILLIAM H. TAFT.

THE WHITE HOUSE, *March 25, 1910.*

To the Senate and House of Representatives:

I lay before the Congress herewith a report submitted by the commission which visited Liberia in pursuance of the provisions of the deficiency act of March 4, 1909, "to investigate the interests of the United States and its citizens in the Republic of Liberia, with the consent of the authorities of said Republic."

This report is accompanied by a communication of the Secretary of State reciting the conditions under which the Liberian commonwealth was founded through the efforts of the Government of the United States and American citizens, and commenting on the recommendations of the commission touching the course to be pursued by this Government in aid of Liberia at this juncture of stress and need. I cordially concur in the views of the Secretary of State and trust that the policy of the United States toward Liberia will be so shaped as to fulfill our national duty to the Liberian people who, by the efforts of this Government and through the material enterprise of

American citizens, were established on the African coast and set on the pathway to sovereign statehood.

WILLIAM H. TAFT.

[NOTE: This Message was accompanied by a letter from the Secretary of State in which, regarding the report of the Liberian Commission, he made the following recommendations:—

(1) That, in view of the inability of Liberia to cope with foreign powers in boundary disputes, that the United States secure by treaty power of attorney to represent the Republic in international matters.

(2) That a system of internal revenue administration similar to that in force at Santo Domingo be established and that the agencies controlling same be also given power over the internal finances of the Republic.

(3) That, as a vital concomitant of any real settlement of boundary questions the United States aid Liberia to drill and organize an adequate constabulary.

(4) That the United States maintain a research station to advise Liberia as to agriculture and other resources and as to hygiene and sanitation.

(5) That the United States establish a coaling station in Liberia.]

THE WHITE HOUSE, *March 28, 1910.*

To the Senate and House of Representatives:

In my annual message in discussing the tariff act of August 5, 1909, I referred to the maximum and minimum clause and discussed the power reposed in the President in that clause, and expressed the opinion that it would enable the President and the State Department, through friendly negotiations, to secure the elimination from the laws and the practice under them in any foreign country of that which is unduly discriminatory against the United States. I am glad to say that negotiations under that clause are now substantially completed with all the nations of the world with results that are satisfactory; and I come now to the further functions of the Tariff Board appointed by virtue of the power given the President in the maximum and minimum clause. Upon the subject of this Tariff Board I used the following language:

> The new tariff law enables me to appoint a tariff board to assist me in connection with the Department of State in the administration of the minimum and maximum clause of the act and also to assist officers of the Government in the administration of the entire law. An examination of the law and an understanding of the nature of the facts which should be considered in discharging the functions imposed upon the Executive show that I have the power to direct the Tariff Board to make a comprehensive glossary and encyclopedia of the terms used and articles embraced in the tariff law, and to secure information as to the cost of production of such goods in this country and the cost of their production in foreign countries. I have therefore appointed a Tariff Board consisting of three members and have directed them

to perform all the duties above described. This work will perhaps take two or three years, and I ask from Congress a continuing annual appropriation equal to that already made for its prosecution. I believe that the work of this board will be of prime utility and importance whenever Congress shall deem it wise again to readjust the customs duties. If the facts secured by the Tariff Board are of such a character as to show generally that the rates of duties imposed by the present tariff law are excessive under the principles of protection as described in the platform of the successful party at the late election, I shall not hesitate to invite the attention of Congress to this fact and to the necessity for action predicated thereon. Nothing, however, halts business and interferes with the course of prosperity so much as the threatened revision of the tariff, and until the facts are at hand, after careful and deliberate investigation, upon which such revision can properly be undertaken, it seems to me unwise to attempt it. The amount of misinformation that creeps into arguments pro and con in respect to tariff rates is such as to require the kind of investigation that I have directed the Tariff Board to make, an investigation undertaken by it wholly without respect to the effect which the facts may have in calling for a readjustment of the rates of duty.

Upon consulting the members of the Tariff Board I find that to carry out the purpose announced in my annual message it will be necessary to have an appropriation by the Congress, immediately available, for the current and the next fiscal year, of $250,000, and I respectfully urge upon Congress this appropriation. I have directed the Secretary of the Treasury to submit an estimate of the same in the statutory method. The statement of the chairman of the Tariff Board, showing the necessity for the amount asked, is herewith submitted.

WILLIAM H. TAFT.

THE WHITE HOUSE, *April 9, 1910.*

To the Senate and House of Representatives:

I transmit herewith communications to me from the Secretary of Commerce and Labor, the Commissioner of Fisheries, and Dr. H. R. Gaylord, Director of the New York State Cancer Laboratory, in respect to the necessity for an active investigation into the subject of cancer in fishes, and I respectfully request an appropriation of $50,000 for the purpose of erecting one or more laboratories at suitable places and to provide for the proper personnel and maintenance of these laboratories. Were there a bureau of public health such as I have already recommended, the matter could be taken up by that bureau, and if in the wisdom of the Congress it should be provided in the near future, all such instrumentalities as that for which appropriation is here recommended may be placed in that bureau as the proper place for research in respect of human diseases.

I have directed the Secretary of Commerce and Labor and the Secretary of the Treasury to forward an estimate for the appropriation here recommended, in accordance with the procedure provided by law.

The very great importance of pursuing the investigation into the cause of cancer can not be brought home to the Congress or to the public more acutely than by inviting attention to the memorandum of Doctor Gaylord herewith. Progress in the prevention and treatment of human diseases has been marvelously aided by an investigation into the same disease in those of the lower animals which are subject to it, and we have every reason to believe that a close investigation into the subject of cancer in fishes, which are frequently swept away by an epidemic of it, may give us light upon this dreadful human scourge.

WILLIAM H. TAFT.

[NOTE: This Message was accompanied by a report from Dr. H. R. Gaylord, Director of the New York State Cancer Laboratory, in which he stated that:

"One woman out of every eight, beyond the age of 45, dies of cancer, and the mortality among men is only somewhat less. This terrible disease has increased of late years in all civilized countries. In the United States from 9 deaths per 100,000 of population in 1850 it had risen in 1900 to 43 deaths per 100,000. In the registration area of this country in 1906 it was 70 per 100,000. This astonishing increase has raised the deaths from this cause so that now approximately half as many die of cancer as of tuberculosis.

" The cause of cancer is not yet known. Domestic animals of various sorts are subject to the disease.

"Cancer in man is most prevalent in the well wooded, well watered, and mountainous regions or in poorly drained areas with alluvial soil. These facts have attracted the attention of scientists to the possible prevalence of cancer in fish. We now know that fish are subject to various types of cancer, certain varieties being subject to epidemics of cancer. It is an astonishing coincidence that the distribution of those varieties of fish which are subject to cancer epidemics and the concentration of cancer in man in this country are almost identical. A map of one might well be taken as a map of the other.

"An investigation of the conditions obtaining among fish offers the best opportunity for determining the conditions under which cancer is spontaneously acquired, and it is believed that a careful study of these conditions will not only enable us to eliminate the disease from among fish but to gain information of an invaluable character for humanity."]

THE WHITE HOUSE, *April 15, 1910.*

To the House of Representatives:

On March 4, 1910, your honorable body adopted the following resolution:

Resolved, That the President of the United States be requested, if not incompatible with the public interest, to furnish the House of Representatives the following information:

First. Why is not the appropriation for the construction of a gunboat on the Great Lakes, contained in the naval appropriation act of eighteen hundred and ninety-eight, expended?

Second. What steps, if any, have been taken by the United States Government to remove the obstacles that prevented the construction of this vessel?

In answer, I beg to transmit herewith a communication from the Secretary of the Navy.

WILLIAM H. TAFT.

[NOTE: This Message was accompanied by a letter from the Secretary of the Navy to the effect that when Congress authorized the construction of a gunboat on the Great Lakes, the Navy Department requested an opinion from the State Department as to whether or not, under the terms of the Rush-Bagot convention of 1817, the department was justified in proceeding with the construction as authorized. The reply was that such construction would be a violation of the terms of the treaty.]

THE WHITE HOUSE, *April 29, 1910.*

To the Senate and House of Representatives:

I forward herewith a letter from the Secretary of War inclosing the report of a board of officers of the army and the navy, appointed by him to consider the subject of the defenses of the Panama Canal. It is the right and the duty of the United States to defend the work upon which it is expending such enormous sums. An adequate defense requires suitable fortifications near the approaches to the termini.

It was not practicable to submit plans and estimates for the fortifications of the canal at the time when the estimates for annual canal construction were sent to the Secretary of the Treasury, because it was necessary for the board of officers to visit the Isthmus before deciding the place and extent and cost of the fortifications needed. The formal estimates for appropriations for the fortifications have now been submitted through the Secretary of the Treasury, in the manner required by law.

In the act providing "for the construction of a canal connecting the waters of the Atlantic and Pacific oceans," approved June 28, 1902 (the Spooner Act), it is stated that "The President * * * shall also cause to be constructed such safe and commodious harbors at the termini of said canal, and make such provisions for the defense as may be necessary for the safety and protection of said canal and harbors." This act indicates that it is the intention of Congress to provide for the defenses of the canal by appropriations made in the same acts which appropriate moneys for its construction.

The letter of the Secretary of War gives the reasons for submitting the present preliminary report of the board of officers, and for recommending that the Congress take action upon the subject of the report at its present session. I concur in these reasons, and I am of the opinion that such works as may be erected for the defense of the canal should be completed, occupied, and ready for operation at the time that the canal itself shall be completed and opened to the passage of vessels. I am encouraged to believe that this date will certainly not be later than the one which has hereto been fixed, namely, January 1, 1915.

WILLIAM H. TAFT.

[NOTE: This Message was accompanied by a report from the military board commissioned to report on fortifications for the termini and the course of the Panama Canal, in which $14,104,203 was estimated as the cost of defenses for the termini, and any estimate as to the cost of inland defenses was deferred until the board could obtain information regarding the availability and price of the necessary land. Congress was urged to make an appropriation for immediate use of at least $4,000,000, so the work might commence during 1910, thus allowing the trained canal workers with their machinery to assist in the work of construction.]

THE WHITE HOUSE, *May 9, 1910.*

To the House of Representatives:

On April 14th your House adopted the following resolution:

Resolved, That the President be, and he is hereby, requested to inform the House, if not incompatible with the public interest, what facts, if any, now exist which make inexpedient a thorough examination at this time by the House of Representatives of the frauds in the customs service mentioned by the President in his annual message to the Congress at this session.

I beg herewith to enclose a joint report of the Secretary of the Treasury and the Attorney-General showing exactly what has been done by them and by their subordinates and the present state of fact in the matter of the investigation of the frauds in the customs service mentioned by me in my annual message.

This report shows that the executive investigation and the investigation by the grand jury for the purpose of bringing the guilty persons to justice are not yet complete. The danger of granting immunity by a congressional investigation, while the executive and grand jury investigations and trials are proceeding is still a serious one. This is sufficiently illustrated by the case of Charles R. Heike, referred to in the report of the Secretary of the Treasury and the Attorney-General. Heike is the secretary of the American Sugar Refining Company, and is the highest official of the company said to be implicated in the frauds, except its late president, H. O. Havemeyer, who died two weeks after the first discovery of the frauds. In the investigation before the grand jury as to whether the American Refining Company is now a party to an illegal combination under the Sherman Antitrust Act, Heike was summoned officially, as the secretary of the refining company, to produce certain documents and furnish certain information respecting the inquiry under the antitrust law. In the trial of the indictment found against him for complicity in the frauds on the revenue effected by the false weighing of sugar, he filed a special plea in bar claiming immunity from the prosecution of the indictment by reason of his evidence before the grand jury in the antitrust case. His plea was overruled in the circuit court, but the question was carried to the Supreme Court, which refused to pass on it because not properly before the court now, leaving it still to be raised in the event of a conviction, upon appeal from the judgment of the circuit court.

The investigation into, and prosecution of, the frauds in the weighers' office are now nearly complete, though there are a number of indictments yet untried. The executive and judicial investigations into the frauds in the appraiser's office, however, are still proceeding. It will take a considerable time to complete them. It may be added that the character of the investigations into the weighers' and appraiser's offices is such that a congressional committee would have to wait upon such an expert search as is now proceeding to make clear the frauds. The grand jury investigation into the charge of countrywide monopoly against the refining company is being pressed with vigor; but the evidence is so voluminous and widespread that it is necessarily slow.

The primary duty with respect to frauds in the executive service falls upon the Executive to direct proper executive investigation, and upon the discovery of fraud and crime to direct judicial investigation for the purpose of recovering what is due the Government and of bringing to justice the guilty persons. It is further the duty of the Executive to make such executive changes in the service, both by removal of inefficient civil servants and by changes in official methods, as will render a recurrence of fraud less possible. The necessity for congressional investigation arises, first, when executive investigation is either not in good faith, or is lacking in vigor, and, second, when additional legislation is needed to provide new safeguards to prevent a recurrence of the frauds. A further advantage of congressional investigation is that it may hold up to just public condemnation many persons whose neglect of duty or whose ignoring of the public weal for political or other purpose, may have made such frauds possible, without subjecting them to criminal liability and conviction.

The report of the Secretary of the Treasury and the Attorney-General shows beyond question the utmost vigor and effectiveness in the investigation and prosecution up to this time of the frauds developed in the customs service and the achieving of exceptional results, as well in the collection of moneys of which the Government has been defrauded as in the apprehension, indictment, and punishment of participants in the frauds, and in the thorough reformation of the customs service with a view to a prevention of the recurrence of such frauds in the future.

A congressional investigation at this time would embarrass the executive department in the continuance and completion of the investigation of the appraiser's and other offices of the customs service. As soon as these investigations by the Executive and the grand jury are at an end I shall bring the fact to the knowledge of Congress.

WILLIAM H. TAFT.

[NOTE: The joint report by the Secretary of the Treasury and the Attorney-General relates that as the consequence of the discovery in November, 1907, at the port of New York, of a secret spring by which sugar was underweighed and the Government cheated out of dues, an investigation was undertaken by the Customs officials, together with the local United States District Attorney, into the business of all importers. Systematic corruption and equitable division of the spoils were discovered, involving all ranks from highest to lowest. The method was for the importer to retain half of the profit obtained by underweighing and to apportion the other half (which averaged $200 per ship) among the Government employees. Four men who actually applied the secret spring to the scales and their dock superintendent were convicted.

The sugar importers practised this fraud on a larger scale than the others. The chief offender was the American Sugar Refining Company, the so-called trust, which was completely and minutely run by H. O. Havemeyer, its president, whose death forestalled the Government prosecutors. Mr. Taft has related the progress of the prosecution of Havemeyer's chief assistant, Heike. The company's cashier escaped through the disagreement of a jury. This American Sugar Refining Company was also indicted by the Government for crimes in violation of the Anti-Trust Law. The company having resisted subpœnas, and defended such resistance on technical grounds, they were ordered by Judge Lacombe to comply with same; having declined to obey, they were found in contempt and fined $500, and were at the same time informed that subpœnas would issue hourly and fines be imposed as frequently unless they complied. The company yielded. The prosecution under the Anti-Trust Law was (May, 1910) awaiting hearing in the Supreme Court.

The investigations and prosecutions having extended to all the other sugar importing companies, the Government procured the restitution of the following sums: American Sugar Refining Company, $2,135,486.32; Arbuckle Brothers, $695,573.19; National Sugar Refining Company, $604,304.37; and negotiations were (May, 1910) pending for the restitution by the Federal Sugar Refining Company of $106,123.15.

The discovery of smaller frauds systematically committed by importers of Mediterranean products and dress goods, with the connivance of corrupt officials in all ranks from chief clerk of the surveyor's department down to the assistant weighers engaged in the actual weighing, led to the indictment of twenty-four importers, five assistant weighers, a former Government weigher, a baggage-master of a steamship company with his confederate, and thirteen dressmakers. Only one of the assistant weighers was convicted and sentenced, death, jury disagreements, and suspended sentences accounting for the rest. Only two of the importers had been tried, one going to twelve months' imprisonment and the other being acquitted. The former Government employee was convicted. The baggage-master and his accomplice were on trial, the latter having plead guilty. The thirteen dressmakers plead guilty and paid fines aggregating $34,750. More than $100,000 was paid to the Government for property of these kinds confiscated for fraud. Three importers guilty of smuggling were tried, two being sent to twelve months' imprisonment and the other, a woman, being fined $5,000.]

THE WHITE HOUSE, *May 17, 1910.*

To the Senate and House of Representatives:

I transmit herewith, for the information of the Congress, the final report of the Spanish Treaty Claims Commission, dated May 2, 1910.

WILLIAM H. TAFT.

[NOTE: The Spanish Treaty Claims Commission was created March 2, 1901, to investigate and settle claims by American citizens against Spain arising from injuries sustained during the insurrection and war, which claims the United States agreed in the treaty of 1898 to adjudicate and settle, while at the same time it relinquished all claim against Spain for indemnity. The Commission's Final Report, dated May 2, 1910, states that during the interval it considered and disposed of 542 claims aggregating $64,931,694.51, and made awards amounting, all told, to $1,387,845.74. The claims filed by enlisted officers and seamen of the battleship *Maine* or their representatives were ruled out on the ground that in international law the nation which employed the injured seamen and soldiers must present and prosecute their claims.]

THE WHITE HOUSE, *Washington, May 24, 1910.*

To the Senate and House of Representatives:

I transmit herewith a report by the Secretary of State concerning the legislation that is required on the part of the United States under the treaty between the United States and Great Britain signed on January 11, 1909, providing for the settlement of international differences between the United States and Great Britain, and commonly known as the "Waterways treaty."

It is important that legislation that will enable this Government to carry out its obligations under the treaty be enacted by Congress during its present session, and I ask for the report of the Secretary of State the early and favorable consideration of Congress.

WILLIAM H. TAFT.

[NOTE: The Secretary of State recommended that Congress should pass legislation providing for the manner of the appointment of three commissioners on the International Joint Commission, for their compensation and expenses, for the employment of necessary servants and for paraphernalia, for all of which purposes he considered $75,000 sufficient; and the Secretary also recommended that Congress give to the Commission the powers to administer oaths to witnesses, to take evidence on oath, to issue subpœnas and to compel the attendance of witnesses, through the agency of Federal Circuit Court for the circuit in which the Commission shall hold joint sessions.]

THE WHITE HOUSE, *June 7, 1910.*

To the Senate and House of Representatives:

A recent effort by a large number of railroad companies to increase rates for interstate transportation of persons and property caused me to direct the Attorney-General to bring a suit and secure from the United States court in Missouri an injunction restraining the operation of such increased rates during the pendency of the proceeding. This action led to a conference with the representatives of the railroad companies so enjoined and the agreement by each of them to withdraw the proposed increases of rates effective on or after June 1, and not to file any further attempted increases until after the enactment into law of the pending bill to amend the interstate-commerce act, or the adjournment of the Congress; with the further understanding that upon the enactment of such law each would submit to the determination of the Interstate Commerce Commission the question of the reasonableness of all increases that each might thereafter propose. It is my hope that all of the other railroad companies will take like action. In order, however, that each may have the benefit of a speedy determination of the question whether or not its proposed increases in rates are justifiable, provision should be made by Congress to vest the Interstate Commerce Commission with jurisdiction over such question as soon as possible.

In the Senate amendment to section 15 of the act to regulate commerce, contained in H. R. 17536, the Interstate Commerce Commission is empowered, immediately upon the filing of a proposed increase in rates, of its own motion, or upon complaint, to enter upon an investigation and determination of the justice and reasonableness of such increase, and in case it deems it expedient to suspend the operation thereof for a period specified in the section to enable it to complete such investigation. That bill, however, provides that the act shall take effect and be in force only from and after the expiration of sixty days after its passage.

This provision, if allowed to remain in the bill, would enable carriers, between the time of enactment of the bill and the time of its taking effect, to file increases in rates which would become effective at the expiration of thirty days, and remain in effect and be collected from the public during the pendency of proceedings to review them, whereas if the bill be made to take effect immediately such investigation will have to be made before the public is called upon to pay the increased rates.

I therefore recommend that this latter provision be modified by providing that at least section 9 of the Senate amendments to the bill, which is the section authorizing the commission to suspend the going into effect of increases in rates until after due investigation, shall take effect immediately upon the passage of the act.

WILLIAM H. TAFT.

THE WHITE HOUSE, *June 9, 1910.*

To the House of Representatives:

In response to the resolution of the House of Representatives of April 20, 1910, relative to the recent tariff negotiations between the Government of the United States and foreign governments made necessary by the tariff act of August 5, 1909, I transmit herewith reports by the Secretary of State, with accompanying papers, and the Secretary of the Treasury.

WILLIAM H. TAFT.

[NOTE: The tariff negotiations mentioned by President Taft resulted, according to the Secretary of State, in the application to American products by Germany, Austria-Hungary, Italy and Belgium of their minimum rates; in the general though not complete application by France of its minimum rates, though previously the maximum had been applied; and in the conclusion of tariff-lowering agreements with Greece, Servia, Bulgaria, Roumania, Brazil and Canada.]

THE WHITE HOUSE, *June 21, 1910.*

To the Senate and House of Representatives:

There are, perhaps, no questions in which the public has more acute interest than those relating to the disposition of the public domain. I am just in receipt from the Secretary of the Interior of recommendation that in disposition of important legal questions which he is called upon to decide relating to the public lands, an appeal be authorized from his decision to the court of appeals for the District of Columbia.

I fully indorse the views of the Secretary in this particular, which are set forth in his letter, transmitted herewith, and urge upon the Congress an early consideration of the subject.

WILLIAM H. TAFT.

[NOTE: The Secretary of the Interior recommended that legislation be enacted providing for appeal to the Court of Appeals for the District of Columbia from departmental decisions on cases involving property rights connected with the public domain, just as, under existing law, appeal may be had from decisions by the Patent Commissioner and by the Board of Customs Appraisers, respectively, to the Court of Appeals for the District of Columbia and to the United States Circuit Courts. Under the proposed legislation, the Interior Department, in anticipation of submission to the Court, would prepare and compile separately its findings of fact and conclusions of law. The Secretary believed that such legislation would soon produce a system of decisions by a court of recognized standing which would reduce the number and expedite the determination of controversies involving legal questions previously decided by the court.]

THE WHITE HOUSE, *June 25, 1910.*

To the Senate and House of Representatives:

I have approved the bill (H. R. 20686) entitled "An act making appropriations for the construction, repair, and preservation of certain public works on rivers and harbors, and for other purposes," and, while I have signed the bill, I venture to submit a memorandum of explanation and comment.

The bill is an important one and contains many excellent features. It provides for the canalization of the Ohio River, to be prosecuted at a rate which will insure its completion within twelve years; the improvement of the Mississippi River between Cairo and the Gulf of Mexico, to be completed within twenty years; of the Mississippi River between the mouth of the Missouri and the mouth of the Ohio River, to be completed within twelve years; of the Mississippi River between Minneapolis and the mouth of the Missouri River, to be completed within twelve years; of the Hudson River for the purpose of facilitating the use of the barge canal in the vicinity of Troy, N. Y.; of the Savannah River from Augusta to the sea, with a view to its completion within four years; of a 35-foot channel in the Delaware River from Philadelphia to the sea; of a 35-foot channel to Norfolk, Va.; of a 27-foot channel to Mobile, Ala.; of a 30-foot channel to Jacksonville, Fla.; of a 30-foot channel to Oakland, Cal. It also provides for greatly enlarged harbor facilities at certain important lake ports, including Ashtabula and Lorain, and enlarged facilities for the important commerce of the Detroit River. Indeed, it may be said that a great majority of the projects named in the bill are meritorious, and that money expended in their completion will not be wasted.

The chief defect in the bill is the large number of projects appropriated for and the uneconomical method of carrying on these projects by the appropriation of sums small in comparison to the amounts required to effect completion.

The figures convincingly establish the fact that this bill makes inadequate provision for too many projects. The total of the bill, $52,000,000, is not unduly large, but the policy of small appropriations with a great many different enterprises without provision for their completion is unwise. It tends to waste, because thus constructed the projects are likely to cost more than if they were left to contractors who were authorized to complete the whole work within a reasonably short time. The appropriation of a small sum lessens the sense of responsibility of those who are to adopt the project and who do not therefore give to their decision the care that they would give if the appropriation or contract involved the full amount needed for completion. Moreover, the appropriation of a comparatively small sum for a doubtful enterprise is thereafter used by its advocates to force further provision for it from Congress on the ground that the investment made is a conclusive recognition of the wisdom of the project, and its continuance becomes a necessity to save the money already spent. This has been called a "piecemeal" policy. It is proposed to remedy this defect by an annual river and harbor bill, but that hardly avoids the objections above cited, for such yearly appropriations are apt to be affected by the state of the Treasury and political exigency.

If enterprises are to be useful as encouraging means of transportation, they ought to be finished within a reasonable time. The delays in completing them postpone their usefulness and increase their cost. The proper policy, it seems to me, is to determine from the many projects proposed and recommended what are the most important, and then to proceed to complete them with due dispatch, and then to take up others and do the same thing with them.

There has been frequent discussion of late years as to the proper course to be pursued in the development of our inland waterways, and I think the general sentiment has been that we should have a comprehensive system agreed upon by some competent body of experts who should pass upon the relative merits of the various projects and recommend the order in which they should be begun and completed.

Under the present system every project is submitted to army engineers, who pass upon the question whether it ought to be adopted, but that have no power to pass upon the relative importance of the many different projects they approve or to suggest the most economical and businesslike order for their completion.

General Marshall, while Chief Engineer, at my request furnished me a memorandum in respect to the bill then pending in the Senate, in which he analyzed the criticisms made in the discussion of it in Congress. He considers the bill to be quite as good as any of its predecessors, but points out the defects I have mentioned above, and also suggests that the old projects provided for in the bill include some which were never recommended by the engineers and some which, though once recommended, would not be now recommended because of a change of condition.

Congress should refer the old projects to boards of army engineers for further consideration and recommendation. This would enable us to know what of the old works ought to be abandoned. General Marshall's plain intimation is that a number of old projects call for action of this kind.

I have given to the consideration of this bill the full ten days since its submission to me, and some time before that. The objections are to the system, for it may be conceded that the framers of the bill have made as good a bill as they could under the "piecemeal" policy. I once reached the conclusion that it was my duty to interpose a veto in order, if possible, to secure a change in the method of framing these bills. Subsequent consideration has altered my view as to my duty.

It is now three years since a river and harbor bill was passed. The projects under way are in urgent need of further appropriation for maintenance and continuance, and there is great and justified pressure for many of the new projects provided for by the bill. It has been made clear to me that the failure of the bill thus late in the session would seriously embarrass the constructing engineers. I do not think, therefore, the defects of the bill which I have pointed out will justify the postponement of all this important work; but I do think that in the preparation of the proposed future yearly bills Congress should adopt the reforms above suggested, and that a failure to do so would justify withholding executive approval, even though a river and harbor bill fail.

WILLIAM H. TAFT.

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA.

A PROCLAMATION.

Thanksgiving, 1910.

This year of 1910 is drawing to a close. The records of population and harvests which are the index of progress show vigorous national growth and the health and prosperous well-being of our communities throughout this land and in our possessions beyond the seas. These blessings have not descended upon us in restricted measure, but overflow and abound. They are the blessings and bounty of God.

We continue to be at peace with the rest of the world. In all essential matters our relations with other peoples are harmonious, with an evergrowing reality of friendliness and depth of recognition of mutual dependence. It is especially to be noted that during the past year great progress has been achieved in the cause of arbitration and the peaceful settlement of international disputes.

Now, therefore, I, WILLIAM HOWARD TAFT, President of the United States of America, in accordance with the wise custom of the civil magistrate since the first settlements in this land and with the rule established from the foundation of this Government, do appoint Thursday, November 24, 1910, as a day of National Thanksgiving and Prayer, enjoining the people upon that day to meet in their churches for the praise of Almighty God and to return heartfelt thanks to Him for all His goodness and loving-kindness.

In witness whereof I have hereunto set my hand and caused the seal of the United States to be affixed.

Done at the City of Washington this fifth day of November, in the year of our Lord one thousand nine hundred and ten and of the independence of the United States the one hundred and thirty-fifth.

[SEAL.]

WILLIAM H. TAFT.

By the President:

ALVEY A. ADEE, *Acting Secretary of State.*

SECOND ANNUAL MESSAGE.

THE WHITE HOUSE, *December 6, 1910.*

To the Senate and House of Representatives:

During the past year the foreign relations of the United States have continued upon a basis of friendship and good understanding.

ARBITRATION.

The year has been notable as witnessing the pacific settlement of two important international controversies before the Permanent Court of The Hague.

The arbitration of the Fisheries dispute between the United States and Great Britain, which has been the source of nearly continuous diplomatic correspondence since the Fisheries Convention of 1818, has given an award which is satisfactory to both parties. This arbitration is particularly noteworthy not only because of the eminently just results secured, but also because it is the first arbitration held under the general arbitration treaty of April 4, 1908, between the United States and Great Britain, and disposes of a controversy the settlement of which has resisted every other resource of diplomacy, and which for nearly ninety years has been the cause of friction between two countries whose common interest lies in maintaining the most friendly and cordial relations with each other.

The United States was ably represented before the tribunal. The complicated history of the questions arising made the issue depend, more than ordinarily in such cases, upon the care and skill with which our case was presented, and I should be wanting in proper recognition of a great patriotic service if I did not refer to the lucid historical analysis of the facts and the signal ability and force of the argument—six days in length—presented to the Court in support of our case by Mr. Elihu Root. As Secretary of State, Mr. Root had given close study to the intricate facts bearing on the controversy, and by diplomatic correspondence had helped to frame the issues. At the solicitation of the Secretary of State and myself, Mr. Root, though burdened by his duties as Senator from New York, undertook the preparation of the case as leading counsel, with the condition imposed by himself that, in view of his position as Senator, he should not receive any compensation.

The Tribunal constituted at The Hague by the Governments of the United States and Venezuela has completed its deliberations and has rendered an award in the case of the Orinoco Steamship Company against Venezuela. The award may be regarded as satisfactory since it has, pursuant to the contentions of the United States, recognized a number of important principles making for a judicial attitude in the determining of international disputes.

In view of grave doubts which had been raised as to the constitutionality of The Hague Convention for the establishment of an International Prize Court, now before the Senate for ratification, because of that provision of the Convention which provides that there may be an appeal to the proposed Court from the decisions of national courts, this government proposed in an Identic Circular Note addressed to those Powers who had taken part in the London Maritime Conference, that the powers signatory to the Convention, if confronted with such difficulty, might insert a reservation to the effect that appeals to the International Prize Court in respect to decisions of its national tribunals, should take the form of a direct claim for compensation; that the proceedings thereupon to be taken should be in the form of a trial *de novo,* and that judgment of the Court should consist of compensation for the illegal capture, irrespective of the decision of the national court whose judgment had thus been internationally involved. As the result of an informal discussion it was decided to provide such procedure by means of a separate protocol which should be ratified at the same time as the Prize Court Convention itself.

Accordingly, the Government of the Netherlands, at the request of this Government, proposed under date of May 24, 1910, to the powers signatory to The Hague Convention, the negotiation of a supplemental protocol embodying stipulations providing for this alternative procedure. It is gratifying to observe that this additional protocol is being signed without objection, by the powers signatory to the original convention, and there is every reason to believe that the International Prize Court will be soon established.

The Identic Circular Note also proposed that the International Prize Court when established should be endowed with the functions of an Arbitral Court of Justice under and pursuant to the recommendation adopted by the last Hague Conference. The replies received from the various powers to this proposal inspire the hope that this also may be accomplished within the reasonably near future.

It is believed that the establishment of these two tribunals will go a long way toward securing the arbitration of many questions which have heretofore threatened and, at times, destroyed the peace of nations.

PEACE COMMISSION.

Appreciating these enlightened tendencies of modern times, the Congress at its last session passed a law providing for the appointment of a commission of five members "to be appointed by the President of the United States to consider the expediency of utilizing existing international agencies for the purpose of limiting the armaments of the nations of the world by international agreement, and of constituting the combined navies of the world an international force for the preservation of universal peace, and to consider and report upon any other means to diminish the expenditures of government for military purposes and to lessen the probabilities of war."

I have not as yet made appointments to this Commission because I have invited and am awaiting the expressions of foreign governments as to their willingness to cooperate with us in the appointment of similar commissions or representatives who would meet with our commissioners and by joint action seek to make their work effective.

GREAT BRITAIN AND CANADA.

Several important treaties have been negotiated with Great Britain in the past twelve months. A preliminary diplomatic agreement has been reached regarding the arbitration of pecuniary claims which each Government has against the other. This agreement, with the schedules of claims annexed, will, as soon as the schedules are arranged, be submitted to the Senate for approval.

An agreement between the United States and Great Britain with regard to the location of the international boundary line between the United States and Canada in Passamaquoddy Bay and to the middle of Grand Manan Channel was reached in a Treaty concluded May 21, 1910, which has been ratified by both Governments and proclaimed, thus making unnecessary the arbitration provided for in the previous treaty of April 11, 1908.

The Convention concluded January 11, 1909, between the United States and Great Britain providing for the settlement of international differences between the United States and Canada including the apportionment between the two countries of certain of the boundary waters and the appointment of Commissioners to adjust certain other questions has been ratified by both Governments and proclaimed.

The work of the International Fisheries Commission appointed in 1908, under the treaty of April 11, 1908, between Great Britain and the United States, has resulted in the formulation and recommendation of uniform regulations governing the fisheries of the boundary waters of Canada and the United States for the purpose of protecting and increasing the supply of food fish in such waters. In completion of this work, the regulations agreed upon require congressional legislation to make them effective and for their enforcement in fulfillment of the treaty stipulations.

PORTUGAL.

In October last the monarchy in Portugal was overthrown, a provisional Republic was proclaimed, and there was set up a de facto Government which was promptly recognized by the Government of the United States for purposes of ordinary intercourse pending formal recognition by this and other Powers of the Governmental entity to be duly established by the national sovereignty.

LIBERIA.

A disturbance among the native tribes of Liberia in a portion of the Republic during the early part of this year resulted in the sending, under the Treaty of 1862, of an American vessel of war to the disaffected district, and the Liberian authorities, assisted by the good offices of the American Naval Officers, were able to restore order. The negotiations which have been undertaken for the amelioration of the conditions found in Liberia by the American Commission, whose report I transmitted to Congress on March 25 last, are being brought to conclusion, and it is thought that within a short time practical measures of relief may be put into effect through the good offices of this Government and the cordial cooperation of other governments interested in Liberia's welfare.

THE NEAR EAST.

TURKEY.

To return the visit of the Special Embassy announcing the accession of His Majesty Mehemet V, Emperor of the Ottomans, I sent to Constantinople a Special Ambassador who, in addition to this mission of ceremony, was charged with the duty of expressing to the Ottoman Government the value attached by the Government of the United States to increased and more important relations between the countries and the desire of the United States to contribute to the larger economic and commercial development due to the new régime in Turkey.

The rapid development now beginning in that ancient empire and the marked progress and increased commercial importance of Bulgaria, Roumania, and Servia make it particularly opportune that the possibilities of American commerce in the Near East should receive due attention.

MONTENEGRO.

The National Skoupchtina having expressed its will that the Principality of Montenegro be raised to the rank of Kingdom, the Prince of Montenegro on August 15 last assumed the title of King of Montenegro. It gave me pleasure to accord to the new kingdom the recognition of the United States.

THE FAR EAST.

The center of interest in Far Eastern affairs during the past year has again been China.

It is gratifying to note that the negotiations for a loan to the Chinese Government for the construction of the trunk railway lines from Hankow southward to Canton and westward through the Yangtse Valley, known as the Hukuang Loan, were concluded by the representatives of the various financial groups in May last and the results approved by their respective governments. The agreement, already initialed by the Chinese Government, is now awaiting formal ratification. The basis of the settlement of the terms of this loan was one of exact equality between America, Great Britain, France, and Germany in respect to financing the loan and supplying materials for the proposed railways and their future branches.

The application of the principle underlying the policy of the United States in regard to the Hukuang Loan, viz., that of the internationalization of the foreign interest in such of the railways of China as may be financed by foreign countries, was suggested on a broader scale by the Secretary of State in a proposal for internationalization and commercial neutralization of all the railways of Manchuria. While the principle which led to the proposal of this Government was generally admitted by the powers to whom it was addressed, the Governments of Russia and Japan apprehended practical difficulties in the execution of the larger plan which prevented their ready adherence. The question of constructing the Chinchow-Aigun railway by means of an international loan to China is, however, still the subject of friendly discussion by the interested parties.

The policy of this Government in these matters has been directed by a desire to make the use of American capital in the development of China an instrument in the promotion of China's welfare and material prosperity without prejudice to her legitimate rights as an independent political power.

This policy has recently found further exemplification in the assistance given by this Government to the negotiations between China and a group of American bankers for a loan of $50,000,000 to be employed chiefly in currency reform. The confusion which has from ancient times existed in the monetary usages of the Chinese has been one of the principal obstacles to commercial intercourse with that people. The United States in its Treaty of 1903 with China obtained a pledge from the latter to introduce a uniform national coinage, and the following year, at the request of China, this Government sent to Peking a member of the International Exchange Commission, to discuss with the Chinese Government the best methods of introducing the reform. In 1908 China sent a Commissioner to the United States to consult with American financiers as to the possibility of securing a large loan with which to inaugurate the new currency system, but the death of Their Majesties, the Empress Dowager and the Emperor of China, interrupted the negotiations, which were not resumed until a few months ago, when this Government was asked to communicate to the bankers concerned the request of China for a loan of $50,000,000 for the purpose under review. A preliminary agreement between the American group and China has been made covering the loan.

For the success of this loan and the contemplated reforms which are of the greatest importance to the commercial interests of the United States and the civilized world at large, it is realized that an expert will be necessary, and this Government has received assurances from China that such an adviser, who shall be an American, will be engaged.

It is a matter of interest to Americans to note the success which is attending the efforts of China to establish gradually a system of representative government. The provincial assemblies were opened in October, 1909, and in October of the present year a consultative body, the nucleus of the future national parliament, held its first session at Peking.

The year has further been marked by two important international agreements relating to Far Eastern affairs. In the Russo-Japanese Agreement relating to Manchuria, signed July 4, 1910, this Government was gratified to note an assurance of continued peaceful conditions in that region and the reaffirmation of the policies with respect to China to which the United States together with all other interested powers are alike solemnly committed.

The treaty annexing Korea to the Empire of Japan, promulgated August 29, 1910, marks the final step in a process of control of the ancient empire by her powerful neighbor that has been in progress for several years past. In communicating the fact of annexation the Japanese Government gave to the Government of the United States assurances of the full protection of the rights of American citizens in Korea under the changed conditions.

Friendly visits of many distinguished persons from the Far East have been made during the year. Chief among these were Their Imperial Highnesses Princes Tsai-tao and Tsai-Hsun of China; and His Imperial Highness Prince Higashi Fushimi, and Prince Tokugawa, President of the House of Peers of Japan. The Secretary of War has recently visited Japan and China in connection with his tour to the Philippines, and a large delegation of American business men are at present traveling in China. This exchange of friendly visits has had the happy effect of even further strengthening our friendly international relations.

LATIN AMERICA.

During the past year several of our southern sister Republics celebrated the one hundredth anniversary of their independence. In honor of these events, special embassies were sent from this country to Argentina, Chile, and Mexico, where the gracious reception and splendid hospitality extended them manifested the cordial relations and friendship existing between those countries and the United States, relations which I am happy to believe have never before been upon so high a plane and so solid a basis as at present.

The Congressional commission appointed under a concurrent resolution to attend the festivities celebrating the centennial anniversary of Mexican independence, together with a special ambassador, were received with the highest honors and with the greatest cordiality, and returned with the report of the bounteous hospitality and warm reception of President Diaz and the Mexican people, which left no doubt of the desire of the immediately neighboring Republic to continue the mutually beneficial and intimate relations which I feel sure the two governments will ever cherish.

At the Fourth Pan-American Conference which met in Buenos Aires during July and August last, after seven weeks of harmonious deliberation, three conventions were signed providing for the regulation of trade-marks, patents, and copyrights, which when ratified by the different Governments, will go far toward furnishing to American authors, patentees, and owners of trade-marks the protection needed in localities where heretofore it has been either lacking or inadequate. Further, a convention for the arbitration of pecuniary claims was signed and a number of important resolutions passed. The Conventions will in due course be transmitted to the Senate, and the report of the Delegation of the United States will be communicated to the Congress for its information. The special cordiality between representative men from all parts of America which was shown at this Conference cannot fail to react upon and draw still closer the relations between the countries which took part in it.

The International Bureau of American Republics is doing a broad and useful work for Pan American commerce and comity. Its duties were much enlarged by the International Conference of American States at Buenos Aires and its name was shortened to the more practical and expressive term of Pan American Union. Located now in its new building, which was specially dedicated April 26 of this year to the development of friendship, trade and peace among the American nations, it has improved instrumentalities to serve the twenty-two republics of this hemisphere.

I am glad to say that the action of the United States in its desire to remove imminent danger of war between Peru and Ecuador growing out of a boundary dispute, with the cooperation of Brazil and the Argentine Republic as joint mediators with this Government, has already resulted successfully in preventing war. The Government of Chile, while not one of the mediators, lent effective aid in furtherance of a preliminary agreement likely to lead on to an amicable settlement, and it is not doubted that the good offices of the mediating Powers and the conciliatory cooperation of the Governments directly interested will finally lead to a removal of this perennial cause of friction between Ecuador and Peru. The inestimable value of cordial cooperation between the sister republics of America for the maintenance of peace in this hemisphere has never been more clearly shown than in this mediation, by which three American Governments have given to this hemisphere the honor of first invoking the most far-reaching provisions of The Hague Convention for the pacific settlement of international disputes.

There has been signed by the representatives of the United States and Mexico a protocol submitting to the United States-Mexican Boundary Commission (whose membership for the purpose of this case is to be increased by the addition of a citizen of Canada) the question of sovereignty over the Chamizal Tract which lies within the present physical boundaries of the city of El Paso, Tex. The determination of this question will remove a source of no little annoyance to the two Governments.

The Republic of Honduras has for many years been burdened with a heavy bonded debt held in Europe, the interest on which long ago fell in arrears. Finally conditions were such that it became imperative to refund the debt and place the finances of the Republic upon a sound basis. Last year a group of American bankers undertook to do this and to advance funds for railway and other improvements contributing directly to the country's prosperity and commerce—an arrangement which has long been desired by this Government. Negotiations to this end have been under way for more than a year and it is now confidently believed that a short time will suffice to conclude an arrangement which will be satisfactory to the foreign creditors, eminently advantageous to Honduras, and highly creditable to the judgment and foresight of the Honduranean Government. This is much to be desired since, as recognized by the Washington Conventions, a strong Honduras would tend immensely to the progress and prosperity of Central America.

During the past year the Republic of Nicaragua has been the scene of internecine struggle. General Zelaya, for seventeen years the absolute ruler of Nicaragua, was throughout his career the disturber of Central America and opposed every plan for the promotion of peace and friendly relations between the five republics. When the people of Nicaragua were finally driven into rebellion by his lawless exactions, he violated the laws of war by the unwarranted execution of two American citizens who had regularly enlisted in the ranks of the revolutionists. This and other offenses made it the duty of the American Government to take measures with a view to ultimate reparation and for the safeguarding of its interests. This involved the breaking off of all diplomatic relations with the Zelaya Government for the reasons laid down in a communication from the Secretary of State, which also notified the contending factions in Nicaragua that this Government would hold each to strict accountability for outrages on the rights of American citizens. American forces were sent to both coasts of Nicaragua to be in readiness should occasion arise to protect Americans and their interests, and remained there until the war was over and peace had returned to that unfortunate country. These events, together with Zelaya's continued exactions, brought him so clearly to the bar of public opinion that he was forced to resign and to take refuge abroad.

In the above-mentioned communication of the Secretary of State to the Chargé d'Affaires of the Zelaya Government, the opinion was expressed that the revolution represented the wishes of the majority of the Nicaraguan people. This has now been proved beyond doubt by the fact that since the complete overthrow of the Madriz Government and the occupation of the capital by the forces of the revolution, all factions have united to maintain public order and as a result of discussion with an Agent of this Government, sent to Managua at the request of the Provisional Government, comprehensive plans are being made for the future welfare of Nicaragua, including the rehabilitation of public credit. The moderation and conciliatory spirit shown by the various factions give ground for the confident hope that Nicaragua will soon take its rightful place among the law-abiding and progressive countries of the world.

It gratifies me exceedingly to announce that the Argentine Republic some months ago placed with American manufacturers a contract for the construction of two battle-ships and certain additional naval equipment. The extent of this work and its importance to the Argentine Republic make the placing of the bid an earnest of friendly feeling toward the United States.

TARIFF NEGOTIATIONS.

The new tariff law, in section 2, respecting the maximum and minimum tariffs of the United States, which provisions came into effect on April 1, 1910, imposed upon the President the responsibility of determining prior to that date whether or not any undue discrimination existed against the United States and its products in any country of the world with which we sustained commercial relations.

In the case of several countries instances of apparent undue discrimination against American commerce were found to exist. These discriminations were removed by negotiation. Prior to April 1, 1910, when the maximum tariff was to come into operation with respect to importations from all those countries in whose favor no proclamation applying the minimum tariff should be issued by the President, one hundred and thirty-four such proclamations were issued. This series of proclamations embraced the entire commercial world, and hence the minimum tariff of the United States has been given universal application, thus testifying to the satisfactory character of our trade relations with foreign countries.

Marked advantages to the commerce of the United States were obtained through these tariff settlements. Foreign nations are fully cognizant of the fact that under section 2 of the tariff act the President is required, whenever he is satisfied that the treatment accorded by them to the products of the United States is not such as to entitle them to the benefits of the minimum tariff of the United States, to withdraw those benefits by proclamation giving ninety days' notice, after which the maximum tariff will apply to their dutiable products entering the United States. In its general operation this section of the tariff law has thus far proved a guaranty of continued commercial peace, although there are unfortunately instances where foreign governments deal arbitrarily with American interests within their jurisdiction in a manner injurious and inequitable.

The policy of broader and closer trade relations with the Dominion of Canada which was initiated in the adjustment of the maximum and minimum provisions of the Tariff Act of August, 1909, has proved mutually beneficial. It justifies further efforts for the readjustment of the commercial relations of the two countries so that their commerce may follow the channels natural to contiguous countries and be commensurate with the steady expansion of trade and industry on both sides of the boundary line. The reciprocation on the part of the Dominion Government of the sentiment which was expressed by this Government was followed in October by the suggestion that it would be glad to have the negotiations, which had been temporarily suspended during the summer, resumed. In accordance with this suggestion the Secretary of State, by my direction, dispatched two representatives of the Department of State as special commissioners to Ottawa to confer with representatives of the Dominion Government. They were authorized to take such steps for formulating a reciprocal trade agreement as might be necessary and to receive and consider any propositions which the Dominion Government might care to submit.

Pursuant to the instructions issued conferences were held by these commissioners with officials of the Dominion Government at Ottawa in the early part of November.

The negotiations were conducted on both sides in a spirit of mutual accommodation. The discussion of the common commercial interests of the two countries had for its object a satisfactory basis for a trade arrangement which offers the prospect of a freer interchange for the products of the United States and of Canada. The conferences were adjourned to be resumed in Washington in January, when it is hoped that the aspiration of both Governments for a mutually advantageous measure of reciprocity will be realized.

FOSTERING FOREIGN TRADE.

All these tariff negotiations, so vital to our commerce and industry, and the duty of jealously guarding the equitable and just treatment of our products, capital, and industry abroad devolve upon the Department of State.

The Argentine battle-ship contracts, like the subsequent important one for Argentine railway equipment, and those for Cuban Government vessels, were secured for our manufacturers largely through the good offices of the Department of State.

The efforts of that Department to secure for citizens of the United States equal opportunities in the markets of the world and to expand American commerce have been most successful. The volume of business obtained in new fields of competition and upon new lines is already very great and Congress is urged to continue to support the Department of State in its endeavors for further trade expansion.

Our foreign trade merits the best support of the Government and the most earnest endeavor of our manufacturers and merchants, who, if they do not already in all cases need a foreign market, are certain soon to become dependent on it. Therefore, now is the time to secure a strong position in this field.

AMERICAN BRANCH BANKS ABROAD.

I cannot leave this subject without emphasizing the necessity of such legislation as will make possible and convenient the establishment of American banks and branches of American banks in foreign countries. Only by such means can our foreign trade be favorably financed, necessary credits be arranged, and proper avail be made of commercial opportunities in foreign countries, and most especially in Latin America.

AID TO OUR FOREIGN MERCHANT MARINE.

Another instrumentality indispensable to the unhampered and natural development of American commerce is merchant marine. All maritime and commercial nations recognize the importance of this factor. The greatest commercial nations, our competitors, jealously foster their merchant marine. Perhaps nowhere is the need for rapid and direct mail, passenger and freight communication quite so urgent as between the United States and Latin America. We can secure in no other quarter of the world such immediate benefits in friendship and commerce as would flow from the establishment of direct lines of communication with the countries of Latin America adequate to meet the requirements of a rapidly increasing appreciation of the reciprocal dependence of the countries of the Western Hemisphere upon each other's products, sympathies and assistance.

I alluded to this most important subject in my last annual message; it has often been before you and I need not recapitulate the reasons for its recommendation. Unless prompt action be taken the completion of the Panama Canal will find this the only great commercial nation unable to avail in international maritime business of this great improvement in the means of the world's commercial intercourse.

Quite aside from the commercial aspect, unless we create a merchant marine, where can we find the seafaring population necessary as a natural naval reserve and where could we find, in case of war, the transports and subsidiary vessels without which a naval fleet is arms without a body? For many reasons I cannot too strongly urge upon the Congress the passage of a measure by mail subsidy or other subvention adequate to guarantee the establishment and rapid development of an American merchant marine, and the restoration of the American flag to its ancient place upon the seas.

Of course such aid ought only to be given under conditions of publicity of each beneficiary's business and accounts which would show that the aid received was needed to maintain the trade and was properly used for that purpose.

FEDERAL PROTECTION TO ALIENS.

With our increasing international intercourse, it becomes incumbent upon me to repeat more emphatically than ever the recommendation which I made in my Inaugural Address that Congress shall at once give to the Courts of the United States jurisdiction to punish as a crime the violation of the rights of aliens secured by treaty with the United States, in order that the general government of the United States shall be able, when called upon by a friendly nation, to redeem its solemn promise by treaty to secure to the citizens or subjects of that nation resident in the United States, freedom from violence and due process of law in respect to their life, liberty and property.

MERIT SYSTEM FOR DIPLOMATIC AND CONSULAR SERVICE.

I also strongly commend to the favorable action of the Congress the enactment of a law applying to the diplomatic and consular service the principles embodied in Section 1753 of the Revised Statutes of the United States, in the Civil Service Act of January 16, 1883, and the Executive Orders of June 27, 1906, and of November 26, 1909. The excellent results which have attended the partial application of Civil Service principles to the diplomatic and consular services are an earnest of the benefit to be wrought by a wider and more permanent extension of those principles to both branches of the foreign service. The marked improvement in the consular service during the four years since the principles of the Civil Service Act were applied to that service in a limited way, and the good results already noticeable from a similar application of civil service principles to the diplomatic service a year ago, convince me that the enactment into law of the general principles of the existing executive regulations could not fail to effect further improvement of both branches of the foreign service, offering as it would by its assurance of permanency of tenure and promotion on merit, an inducement for the entry of capable young men into the service and an incentive to those already in to put forth their best efforts to attain and maintain that degree of efficiency which the interests of our international relations and commerce demand.

GOVERNMENT OWNERSHIP OF OUR EMBASSY AND LEGATION PREMISES.

During many years past appeals have been made from time to time to Congress in favor of Government ownership of embassy and legation premises abroad. The arguments in favor of such ownership have been many and oft repeated and are well known to the Congress. The acquisition by the Government of suitable residences and offices for its diplomatic officers, especially in the capitals of the Latin-American States and of Europe, is so important and necessary to an improved diplomatic service that I have no hesitation in urging upon the Congress the passage of some measure similar to that favorably reported by the House Committee on Foreign Affairs on February 14, 1910 (Report No. 438), that would authorize the gradual and annual acquisition of premises for diplomatic use.

The work of the Diplomatic Service is devoid of partisanship; its importance should appeal to every American citizen and should receive the generous consideration of the Congress.

TREASURY DEPARTMENT.

ESTIMATES FOR NEXT YEAR'S EXPENSES.

Every effort has been made by each department chief to reduce the estimated cost of his department for the ensuing fiscal year ending June 30, 1912. I say this in order that Congress may understand that these estimates thus made present the smallest sum which will maintain the departments, bureaus, and offices of the Government and meet its other obligations under existing law, and that a cut of these estimates would result in embarrassing the executive branch of the Government in the performance of its duties. This remark does not apply to the river and harbor estimates, except to those for expenses of maintenance and the meeting of obligations under authorized contracts, nor does it apply to the public building bill nor to the navy building program. Of course, as to these Congress could withhold any part or all of the estimates for them without interfering with the discharge of the ordinary obligations of the Government or the performance of the functions of its departments, bureaus, and offices.

A FIFTY-TWO MILLION CUT.

The final estimates for the year ending June 30, 1912, as they have been sent to the Treasury, on November 29 of this year, for the ordinary expenses of the Government, including those for public buildings, rivers and harbors, and the navy building program, amount to $630,404,013.12. This is $52,964,887.36 less than the appropriations for the fiscal year ending June 30, 1911. It is $16,883,153.44 less than the total estimates, including supplemental estimates submitted to Congress by the Treasury for the year 1911, and is $5,574,659.39 less than the original estimates submitted by the Treasury for 1911.

These figures do not include the appropriations for the Panama Canal, the policy in respect to which ought to be, and is, to spend as much each year as can be economically and effectively expended in order to complete the Canal as promptly as possible, and, therefore, the ordinary motive for cutting down the expense of the Government does not apply to appropriations for this purpose. It will be noted that the estimates for the Panama Canal for the ensuing year are more than fifty-six millions of dollars, an increase of twenty millions over the amount appropriated for this year—a difference due to the fact that the estimates for 1912 include something over nineteen millions for the fortification of the Canal. Against the estimated expenditures of $630,494,013.12, the Treasury has estimated receipts for next year $680,000,000, making a probable surplus of ordinary receipts over ordinary expenditures of about $50,000,000.

A table showing in detail the estimates and the comparisons referred to follows. (See next page.)

TYPICAL ECONOMIES.

The Treasury Department is one of the original departments of the Government. With the changes in the monetary system made from time to time and with the creation of national banks, it was thought necessary to organize new bureaus and divisions which were added in a somewhat haphazard way and resulted in a duplication of duties which might well now be ended. This lack of system and economic coordination has attracted the attention of the head of that Department who has been giving his time for the last two years, with the aid of experts and by consulting his bureau chiefs, to its reformation. He has abolished four hundred places in the civil service without at all injuring its efficiency. Merely to illustrate the character of the reforms that are possible, I shall comment on some of the specific changes that are being made, or ought to be made by legislative aid.

AUDITING SYSTEM.

The auditing system in vogue is as old as the Government and the methods used are antiquated. There are six Auditors and seven Assistant Auditors for the nine departments, and under the present system the only function which the Auditor of a department exercises is to determine, on accounts presented by disbursing officers, that the

MEXICAN TROOPS

MEXICAN TROOPS.

Indisputably one of the prime reasons why the United States has been so extremely tolerant of injuries from the hands of the Republic of Mexico is the lack of responsibility of the Mexican people for the actions of its government. The Mexicans are largely illiterate, have been made generally indolent by the warmth of their climate, and live in the midst of poverty which beggars description. Frequently the only salvation from starvation lies in joining the army of either a constitutionalist or rebel chief; and as shown in the preceding pictures, the armies are seldom more than the personal bodyguards of their leaders.

Statement of estimates of appropriations for the fiscal years 1912 and 1911, and of appropriations for 1911, showing increases and decreases.

	Final estimates for 1912 as of November 29.	Original estimates submitted by the Treasury for 1911.	Total estimates for 1911 including supplementals.	Appropriations for 1911.	Increase (+) and decrease (—), 1912 estimates against 1911 total estimates.	Increase (+) and decrease (—), 1912 estimates against 1911 appropriations.	Increase (+) and decrease (—), 1911 estimates against 1911 appropriations.
Legislative	$13,426,805.73	$13,169,679.70	$13,169,679.70	$12,938,048.00	+ $257,126.03	+ $488,757.73	+ $231,631.70
Executive	998,170.00	472,270.00	722,270.00	870,750.00	+ 275,900.00	+ 127,420.00	— 148,480.00
State Department	4,875,576.41	4,576,301.41	4,749,801.41	5,046,701.41	+ 125,775.00	— 171,125.00	— 296,900.00
Treasury Department:							
Treasury Department proper	68,735,451.00	69,865,240.00	70,393,543.75	69,973,434.61	— 1,658,092.75	— 1,237,983.61	+ 420,109.14
Public buildings and works	11,864,545.60	6,198,365.60	7,101,465.60	5,565,164.00	+ 4,763,080.00	+ 6,299,381.60	+ 1,536,301.60
Territorial governments	202,150.00	287,350.00	292,350.00	282,600.00	— 90,200.00	— 80,450.00	+ 9,750.00
Independent offices	2,638,695.12	2,400,695.12	2,492,695.12	2,128,695.12	+ 146,000.00	+ 510,000.00	+ 364,000.00
District of Columbia	13,602,785.90	11,884,928.49	12,108,878.49	11,440,345.99	+ 1,493,907.41	+ 2,162,439.91	+ 668,532.50
War Department:							
War Department proper	120,104,260.12	124,165,656.28	125,717,204.77	122,322,178.12	— 5,612,944.65	— 2,217,918.00	+ 3,395,026.65
Rivers and harbors	28,232,438.00	28,232,465.00	28,232,465.00	49,390,541.50	— 27.00	—21,158,103.50	—21,158,076.50
Navy Department:							
Navy Department proper	116,101,730.24	117,029,914.38	119,768,860.83	119,596,870.46	— 3,667,130.59	— 3,495,140.22	+ 171,990.37
New navy building program	12,840,428.00	12,844,122.00	12,844,122.00	14,790,122.00	— 3,694.00	— 1,949,694.00	— 1,946,000.00
Interior Department	189,151,875.00	191,224,182.90	193,948,582.02	214,754,278.00	— 4,796,707.02	—25,602,403.00	—20,805,695.98
Post-Office Department proper	1,697,490.00	1,695,690.00	1,695,690.00	2,085,005.33	+ 1,800.00	— 387,515.33	— 389,315.33
Deficiency in postal revenues	....	10,634,122.63	10,634,122.63	10,634,122.63	—10,634,122.65	—10,634,122.63	....
Department of Agriculture	19,681,066.00	17,681,136.00	17,753,931.24	17,821,836.00	+ 1,927,134.76	+ 1,859,230.00	— 67,904.76
Department of Commerce and Labor	16,276,970.00	14,187,913.00	15,789,271.00	14,169,969.32	+ 487,699.00	+ 2,107,000.68	+ 1,619,301.68
Department of Justice	10,063,576.00	9,518,640.00	9,962,233.00	9,648,237.99	+ 101,343.00	+ 415,338.01	+ 313,995.01
Total ordinary	630,494,013.12	636,068,672.51	647,377,166.56	683,458,900.48	—16,883,153.44	—52,964 887.36	—36,081,733.92
Panama Canal	56,920,847.69	48,063,524.70	52,063,524 70	37,855,000.00	+ 4,857,322.99	+19,065,847.69	+14,208,524.70
Total	687,414,860.81	684,132,197.21	699,440,691.26	721,313,900.48	—12 025,830.45	—33,899,039.67	—21,873,209.22

object of the expenditure was within the law and the appropriation made by Congress for the purpose on its face, and that the calculations in the accounts are correct. He does not examine the merits of the transaction or determine the reasonableness of the price paid for the articles purchased, nor does he furnish any substantial check upon disbursing officers and the heads of departments or bureaus with sufficient promptness to enable the Government to recoup itself in full measure for unlawful expenditure. A careful plan is being devised and will be presented to Congress with the recommendation that the force of auditors and employees under them be greatly reduced, thereby effecting substantial economy. But this economy will be small compared with the larger economy that can be effected by consolidation and change of methods. The possibilities in this regard have been shown in the reduction of expenses and the importance of methods and efficiency in the office of the Auditor for the Post Office Department, who, without in the slightest degree impairing the comprehensiveness and efficiency of his work, has cut down the expenses of his office $120,000 a year.

CUSTOMS COLLECTION.

Again, in the collection of the revenues, especially the customs revenues, a very great improvement has been effected, and further improvements are contemplated. By the detection of frauds in weighing sugar, upwards of $3,400,000 have been recovered from the beneficiaries of the fraud, and an entirely new system free from the possibilities of such abuse has been devised. The Department has perfected the method of collecting duties at the Port of New York so as to save the Government upwards of ten or eleven million dollars; and the same spirit of change and reform has been infused into the other customs offices of the country.

The methods used at many places are archaic. There would seem to be no reason at all why the Surveyor of the Port, who really acts for the Collector, should not be a subordinate of the Collector at a less salary and directly under his control, and there is but little reason for the existence of the Naval Officer, who is a kind of local auditor. His work is mainly an examination of accounts which is conducted again in Washington and which results in no greater security to the Government. The Naval Officers in the various ports are Presidential appointees, many of them drawing good salaries, and those offices should be abolished or with reduced force made part of the central auditing system.

There are entirely too many customs districts and too many customs collectors. These districts should be consolidated and the collectors in charge of them, who draw good salaries, many of them out of proportion to the collections made, should be abolished or treated as mere branch offices, in accordance with the plan of the Treasury Department, which will be presented for the consideration of Congress. As an illustration, the cost of collecting $1 of revenue at typical small ports like the port of York, Me., was $50.04. At the port of Annapolis, Md., it cost $309.41 to collect $1 of revenue; at Natchez, $52.76; at Alexandria, Va., $122.49.

It is not essential to the preventing of smuggling that customs districts should be increased in number. The violation of the customs laws can be quite as easily prevented, and much more economically, by the revenue-cutter service and by the use of the special agent traveling force of the Treasury Department. A reorganization of the special customs agents has been perfected with a view to retaining only those who have special knowledge of the customs laws, regulations, and usual methods of evasion, and with this improvement, there will be no danger to the Government from the recommended consolidation and abolition of customs districts.

An investigation of the appraising system now in vogue in New York City has shown a sacrifice of the interests of the Government by under-appraisement, which is in the course of being remedied by reorganization and the employment of competent experts. Prosecutions have been instituted growing out of the frauds there discovered and are now awaiting hearing in the Federal Courts.

Very great improvements have been made in respect to the mints and assay offices. Diminished appropriations have been asked for those whose continuance is unnecessary, and this year's estimate of expenses is $326,000 less than two years ago. There is an opportunity for further saving in the abolition of several mints and assay offices that have now become unnecessary. Modern machinery has been installed there, more and better work has been done, and the appropriations have been consequently diminished.

In the Bureau of Engraving and Printing, great economies have been effected. Useless divisions have been abolished with the result of saving $440,000 this year in the total expenses of the Bureau despite increased business.

The Treasurer's office and that of the Division of Public Moneys in part cover the same functions and this is also true of the office of the Register and the Division of Loans and Currency. Plans for the elimination of the duplication in these offices will be presented to Congress.

COMPTROLLER OF THE CURRENCY.

The office of the Comptroller of the Currency is one most important in the preservation of proper banking methods in the national banking system of the United States, and the present Comptroller has impressed his subordinates with the necessity of so conducting their investigations as to establish the principle that every bank failure is unnecessary because proper inspection and notice of threatening conditions to the responsible directors and officers can prevent it.

PUBLIC BUILDINGS.

In our public buildings we still suffer from the method of appropriation, which has been so much criticised in connection with our rivers and harbors. Some method should be devised for controlling the supply of public buildings, so that they will harmonize with the actual needs of the Government. Then, when it comes to the actual construction, there has been in the past too little study of the building plans and sites with a view to the actual needs of the Government. Post-Office buildings which are in effect warehouses for the economical handling of transportation of thousands of tons of mail have been made monumental structures, and often located far from the convenient and economical spot. In the actual construction of the buildings, a closer scrutiny of the methods employed by the Government architects or by architects employed by the Government have resulted in decided economies. It is hoped that more time will give opportunity for a more thorough reorganization. The last public building bill carried authorization for the ultimate expenditure of $33,011,500 and I approved it because of the many good features it contained, just as I approved the river and harbor bill, but it was drawn upon a principle that ought to be abandoned. It seems to me that the wiser method of preparing a public building bill would be the preparation of a report by a commission of Government experts whose duty it should be to report to Congress the Government's needs in the way of the construction of public buildings in every part of the country, just as the Army Engineers make report with reference to the utility of proposed improvements in rivers and harbors, with the added function which I have recommended for the Army Engineers of including in their recommendation the relative importance of the various projects found to be worthy of approval and execution.

REVENUES.

As the Treasury Department is the one through which the income of the Government is collected and its expenditures are disbursed, this seems a proper place to consider the operation of the existing tariff bill, which became a law August 6, 1909. As an income-producing measure, the existing tariff bill has never been exceeded by any customs bill in the history of the country.

The corporation excise tax, proportioned to the net income of every business corporation in the country, has worked well. The tax has been easily collected. Its prompt payment indicates that the incidence of the tax has not been heavy. It offers, moreover, an opportunity for knowledge by the Government of the general condition and business of all corporations, and that means by far the most important part of the business of the country. In the original act provision was made for the publication of returns. This provision was subsequently amended by Congress, and the matter left to the regulation of the President. I have directed the issue of the needed regulations, and have made it possible for the public generally to know from an examination of the record, the returns of all corporations, the stock of which is listed on any public stock exchange or is offered for sale to the general public by advertisement or otherwise. The returns of those corporations whose stock is not so listed or offered for sale are directed to be open to the inspection and examination of creditors and stockholders of the corporation whose record is sought. The returns of all corporations are subject to the inspection of any government officer or to the examination of any court, in which the return made by the corporation is relevant and competent evidence.

THE PAYNE TARIFF ACT.

The schedules of the rates of duty in the Payne tariff act have been subjected to a great deal of criticism, some of it just, more of it unfounded, and to much misrepresentation. The act was adopted in pursuance of a declaration by the party which is responsible for it that a customs bill should be a tariff for the protection of home industries, the measure of the protection to be the difference between the cost of producing the imported article abroad and the cost of producing it at home, together with such addition to that difference as might give a reasonable profit to the home producer. The chief criticism of this tariff is a charge that in respect to a number of the schedules the declared measure was not followed, but a higher difference retained or inserted by way of undue discrimination in favor of certain industries and manufactures. Little, if any, of the criticism of the tariff has been directed against the protective principle above stated.

TARIFF BOARD.

The time in which the tariff was prepared undoubtedly was so short as to make it impossible for the Congress and its experts to acquire all the information necessary strictly to conform to the declared measure. In order to avoid criticism of this kind in the future and for the purpose of more nearly conforming to the party promise, Congress at its last session made provision at my request for the continuance of a board created under the authority of the maximum and minimum clause of the tariff bill, and authorized this board to expend the money appropriated under my direction for the ascertainment of the cost of production at home and abroad of the various articles included in the schedules of the tariff. The tariff board thus appointed and authorized has been diligent in preparing itself for the necessary investigations. The hope of those who have advocated the use of this board for tariff purposes is that the question of the rate of a duty imposed shall become more of a business question and less of a political question, to be ascertained by experts of long training and accurate knowledge. The halt in business and the shock to business, due to the announcement that a new tariff bill is to be prepared and put in operation, will be avoided by treating the schedules one by one as occasion shall arise for a change in the rates of each, and only after a report upon the schedule by the tariff board competent to make such report. It is not likely that the board will be able to make a report during the present session of Congress on any of the schedules, because a proper examination involves an enormous amount of detail and a great deal of care; but I hope to be able at the opening of the new Congress, or at least during the session of that Congress, to bring to its attention the facts in regard to those schedules in the present tariff that may prove to need amendment. The carrying out of this plan, of course, involves the full cooperation of Congress in limiting the consideration in tariff matters to one schedule at a time, because if a proposed amendment to a tariff bill is to involve a complete consideration of all the schedules and another revision, then we shall only repeat the evil from which the business of this country has in times past suffered most grievously by stagnation and uncertainty, pending a resettlement of a law affecting all business directly or indirectly. I can not too much emphasize the importance and benefit of the plan above proposed for the treatment of the tariff. It facilitates the removal of noteworthy defects in an important law without a disturbance of business prosperity, which is even more important to the happiness and the comfort of the people than the elimination of instances of injustice in the tariff.

The inquiries which the members of the Tariff Board made during the last summer into the methods pursued by other Governments with reference to the fixing of tariffs and the determination of their effect upon trade, show that each Government maintains an office or bureau, the officers and employees of which have made their life work the study of tariff matters, of foreign and home prices and cost of articles imported, and the effect of the tariff upon trade, so that whenever a change is thought to be necessary in the tariff law this office is the source of the most reliable information as to the propriety of the change and its effect. I am strongly convinced that we need in this Government just such an office, and that it can be secured by making the Tariff Board already appointed a permanent tariff commission, with such duties, powers, and emoluments as it may seem wise to Congress to give. It has been proposed to enlarge the board from three to five. The present number is convenient, but I do not know that an increase of two members would be objectionable.

Whether or not the protective policy is to be continued, and the degree of protection to be accorded to our home industries, are questions which the people must decide through their chosen representatives; but whatever policy is adopted, it is clear that the necessary legislation should be based on an impartial, thorough, and continuous study of the facts.

BANKING AND CURRENCY REFORM.

The method of impartial scientific study by experts as a preliminary to legislation, which I hope to see ultimately adopted as our fixed national policy with respect to the tariff, rivers and harbors, waterways, and public buildings, is also being pursued by the nonpartisan Monetary Commission of Congress. An exhaustive and most valuable study of the banking and currency systems of foreign countries has been completed.

A comparison of the business methods and institutions of our powerful and successful commercial rivals with our own is sure to be of immense value. I urge upon Congress the importance of a nonpartisan and disinterested study and consideration of our banking and currency system. It is idle to dream of commercial expansion, and of the development of our national trade on a scale that measures up to our matchless opportunities, unless we can lay a solid foundation in a sound and enduring banking and currency system. The problem is not partisan, is not sectional—it is national.

WAR DEPARTMENT.

The War Department has within its jurisdiction the management of the Army, and, in connection therewith, the coast defenses; the government of the dependencies of the Philippines and of Porto Rico; the recommendation of plans for the improvement of harbors and waterways, and their execution when adopted; and, by virtue of an executive order, the supervision of the construction of the Panama Canal.

The Army of the United States is a small body compared with the total number of people for the preservation of whose peace and good order it is a last resource. The Army now numbers about 80,000 men, of whom about 18,000 are engaged in the Coast Artillery and detailed to the management and use of the guns in the forts and batteries that protect our coasts. The rest of the Army, or about 60,000, is the mobile part of our national forces and is divided into 31 regiments of infantry, including the Porto Rican regiment, 15 regiments of cavalry, 6 regiments of field artillery, a corps of ordnance, of engineers, and of signal, a quartermaster's department, a commissary department, and a medical corps.

The general plan for an army of the United States at peace should be that of a skeleton organization with an excess of trained officers and thus capable of rapid enlargement by enlistments, to be supplemented in emergency by the national militia and a volunteer force. In some measure this plan has been adopted in the very large proportion of cavalry and field artillery as compared with infantry in the present army and on a peace basis. An infantry force can be trained in six months; a cavalry or a light artillery force not under one and one-half or two years; hence the importance of having ready a larger number of the more skilled soldiers.

The militia system, for which Congress by the Constitution is authorized to provide, was developed by the so-called Dick law, under which the discipline, the tactics, the drill, the rank, the uniform, and the various branches of the militia are assimilated as far as possible to those of the Regular Army. Under the militia law, as the Constitution provides, the Governors of the States appoint the militia officers, but, by appropriations from Congress, States have been induced to comply with the rules of assimilation between the Regular Army and the militia, so that now there is a force, the efficiency of which differs in different States, which could be incorporated under a single command with the Regular Army, and which for some time each year receives the benefit of drill and maneuvers with conditions approximating actual military service, under the supervision of Regular Army officers.

In the Army of the United States, in addition to the regular forces and the militia forces which may be summoned to the defense of the Nation by the President, there is also the volunteer force, which made up a very large part of the army in the Civil War, and which in any war of long continuance would become its most important constituent. There is an act which dates from the Civil War, known as the Volunteer Act, which makes provision for the enlistment of volunteers in the Army of the United States in time of war. This was found to be so defective in the Philippine War that a special act for the organization of volunteer regiments to take part in that war was adopted, and it was much better adapted to the necessities of the case. There is now pending in Congress a bill repealing the present Volunteer Act and making provision for the organization of volunteer forces in time of war, which is admirably adapted to meet the exigencies which would be then presented. The passage of the bill would not entail a dollar's expense upon the Government at this time, or in the future, until war comes, but when war does come the methods therein directed are in accordance with the best military judgment as to what they ought to be, and the act would prevent the necessity for the discussion of new legislation and the delays incident to its consideration and adoption. I earnestly urge the passage of this Volunteer Bill.

I further recommend that Congress establish a commission to determine as early as practicable a comprehensive policy for the organization, mobilization and administration of the Regular Army, the organized militia, and the volunteer forces in the event of war.

NEED FOR ADDITIONAL OFFICERS.

One of the great difficulties in the prompt organization and mobilization of militia and volunteer forces is the absence of competent officers of the rank of captain to teach the new army, by the unit of the company, the business of being soldiers and of taking care of themselves so as to render effective service. This need of army officers can only be supplied by provisions of law authorizing the appointment of a greater number of army officers than are needed to supply the commands of regular army troops now enlisted in the service. There are enough regular army officers to command the troops now enlisted, but Congress has authorized, and the Department has followed the example of Congress and exercised the authority conferred by detailing these army officers to duty other than that of the command of troops. For instance, there are a large number of army officers assigned to duty with military colleges or in colleges in which military training is given. Then a large number of officers are assigned to General Staff duty, and there are various other places to which army officers can be and are legally assigned, which take them away from their regiments and companies. In order that the militia of each State should be properly drilled and made more like the regular army, regular army officers should be detailed to assist the Adjutant-General of each State in the supervision of the state militia; but this is impossible unless provision is made by Congress for a very considerable increase in the number of company and field officers of the Army. A bill is pending in Congress for this purpose, and I earnestly hope that, in the interest of the proper development of a republican army, an army, small in the time of peace but possible of prompt and adequate enlargement in time of war, shall become possible under the laws of the United States.

PROPOSED INCREASE IN ARMY ENGINEERS.

A bill, the strong argument for which can be based on the ground quite similar to that of the increased officers bill, is a bill for the increase of sixty in the Army Engineers. The Army Engineers are largely employed in the expenditure of the moneys appropriated for the improvement of rivers and harbors and in the construction of the Panama Canal. This, in addition to their military duties, which include the building of fortifications both on our coasts and in our dependencies, requires many more engineers than the Army has, and public works, civil and military, are, therefore, much delayed. I earnestly recommend the passage of this bill, which passed the House at the last session and is now pending in the Senate.

FORTIFICATIONS.

I have directed that the estimates for appropriation for the improvement of coast defenses in the United States should be reduced to a minimum, while those for the completion of the needed fortifications at Corregidor in the Philippine Islands and at Pearl Harbor in the Hawaiian Islands should be expedited as much as possible. The proposition to make Olongapo and Subig Bay the naval base for the Pacific was given up, and it is to be treated merely as a supply station, while the fortifications in the Philippines are to be largely confined to Corregidor Island and the adjacent islands which command entrance to Manila Bay and which are being rendered impregnable from land and sea attack. The Pacific Naval base has been transferred to Pearl Harbor in the Hawaiian Islands. This necessitates the heavy fortification of the harbor and the establishment of an important military station near Honolulu. I urge that all the estimates made by the War Department for these purposes be approved by Congressional appropriation.

PHILIPPINE ISLANDS.

During the last summer, at my request, the Secretary of War visited the Philippine Islands and has described his trip in his report. He found the Islands in a state of tranquillity and growing prosperity, due largely to the change in the tariff laws, which has opened the markets of America to the products of the Philippines, and has opened the Philippine markets to American manufactures. The rapid increase in the trade between the two countries is shown in the following table:

Philippine exports, fiscal years 1908–1910.

[Exclusive of gold and silver.]

Fiscal year.	To—		Total.
	United States.	Other countries.	
1908	$10,323,233	$22,493,334	$32,816,567
1909	10,215,331	20,778,232	30,993,563
1910	18,741,771	21,122,398	39,864,169

NOTE.—Latest monthly returns show exports for the year ending August, 1910, to the United States $20,035,902, or 49 per cent of the $41,075,738 total, against $11,031,275 to the United States, or 34 per cent of the $32,183,871 total for the year ending August, 1909.

Philippine imports, fiscal years 1908–1910.

[Exclusive of gold and silver and government supplies.]

Fiscal year.	From—		Total.
	United States.	Other countries.	
1908	$5,079,487	$25,838,870	$30,918,357
1909	4,691,770	23,100,627	27,792,397
1910	10,775,301	26,292,329	37,067,630

NOTE.—Latest monthly returns show imports for the year ending August, 1910, from the United States $11,615,982, or 30 per cent of the $39,025,667 total, against $5,193,419 from the United States, or 18 per cent of the $28,948,011 total for the year ending August, 1909.

PORTO RICO.

The year has been one of prosperity and progress in Porto Rico. Certain political changes are embodied in the bill "To Provide a Civil Government for Porto Rico and for other Purposes," which passed the House of Representatives on June 15, 1910, at the last session of Congress, and is now awaiting the action of the Senate.

The importance of those features of this bill relating to public health and sanitation can not be overestimated.

The removal from politics of the judiciary by providing for the appointment of the municipal judges is excellent, and I recommend that a step further be taken by providing therein for the appointment of secretaries and marshals of these courts.

The provision in the bill for a partially elective senate, the number of elective members being progressively increased, is of doubtful wisdom, and the composition of the senate as provided in the bill when introduced in the House, seems better to meet conditions existing in Porto Rico. This is an important measure, and I recommend its early consideration and passage.

RIVERS AND HARBORS.

I have already expressed my opinion to Congress in respect to the character of the river and harbor bills which should be enacted into law; and I have exercised as much power as I could under the law in directing the Chief of Engineers to make his report to Congress conform to the needs of the committee framing such a bill in determining which of the proposed improvements is the more important and ought to be completed first, and promptly.

PANAMA CANAL.

At the instance of Colonel Goethals, the Army Engineer officer in charge of the work on the Panama Canal, I have just made a visit to the Isthmus to inspect the work done and to consult with him on the ground as to certain problems which are likely to arise in the near future. The progress of the work is most satisfactory. If no unexpected obstacle presents itself, the canal will be completed well within the time fixed by Colonel Goethals, to wit, January 1, 1915, and within the estimate of cost, $375,000,000.

Press reports have reached the United States from time to time giving accounts of slides of earth of very large yardage in the Culebra Cut and elsewhere along the line, from which it might be inferred that the work has been much retarded and that the time of completion has been necessarily postponed.

The report of Doctor Hayes, of the Geological Survey, whom I sent within the last month to the Isthmus to make an investigation, shows that this section of the Canal Zone is composed of sedimentary rocks of rather weak structure and subject to almost immediate disintegration when exposed to the air. Subsequent to the deposition of these sediments, igneous rocks, harder and more durable, have been thrust into them, and being cold at the time of their intrusion united but indifferently with the sedimentary rock at the contacts. The result of these conditions is that as the cut is deepened, causing unbalanced pressures, slides from the sides of the cut have occurred. These are in part due to the flowing of surface soil and decomposed sedimentary rocks upon inclined surfaces of the underlying undecomposed rock and in part by the crushing of structurally weak beds under excessive pressure. These slides occur on one side or the other of the cut through a distance of 4 or 5 miles, and now that their character is understood, allowance has been made in the calculations of yardage for the amount of slides which will have to be removed and the greater slope that will have to be given to the bank in many places in order to prevent their recurrence. Such allowance does not exceed ten millions of yards. Considering that the number of yards removed from this cut on an average of each month through the year is 1,300,000, and that the total remaining to be excavated, including slides, is about 30,000,000 yards, it is seen that this addition to the excavation does not offer any great reason for delay.

While this feature of the material to be excavated in the cut will not seriously delay or obstruct the construction of a canal of the lock type, the increase of excavation due to such slides in the cut made 85 feet deeper for a sea-level canal would certainly have been so great as to delay its completion to a time beyond the patience of the American people.

FORTIFY THE CANAL.

Among questions arising for present solution is whether the Canal shall be fortified. I have already stated to the Congress that I strongly favor fortification and I now reiterate this opinion and ask your consideration of the subject in the light of the report already before you made by a competent board.

If, in our discretion, we believe modern fortifications to be necessary to the adequate protection and policing of the Canal, then it is our duty to construct them. We have built the Canal. It is our property. By convention we have indicated our desire for, and indeed undertaken, its universal and equal use. It is also well known that one of the chief objects in the construction of the Canal has been to increase the military effectiveness of our Navy.

Failure to fortify the Canal would make the attainment of both these aims depend upon the mere moral obligations of the whole international public—obligations which we would be powerless to enforce and which could never in any other way be absolutely safeguarded against a desperate and irresponsible enemy.

CANAL TOLLS.

Another question which arises for consideration and possible legislation is the question of tolls in the Canal. This question is necessarily affected by the probable tonnage which will go through the Canal. It is all a matter of estimate, but one of the government commission in 1900 investigated the question and made a report. He concluded that the total tonnage of the vessels employed in commerce that could use the Isthmian Canal in 1914 would amount to 6,843,805 tons net register, and that this traffic would increase 25.1 per cent per decade; that it was not probable that all the commerce included in the totals would at once abandon the routes at present followed and make use of the new Canal, and that it might take some time, perhaps two years, to readjust trade with reference to the new conditions which the Canal would establish. He did not include, moreover, the tonnage of war vessels, although it is to be inferred that such vessels would make considerable use of the Canal. In the matter of tolls he reached the conclusion that a dollar a net ton would not drive business away from the Canal, but that a higher rate would do so.

In determining what the tolls should be we certainly ought not to insist that they should at once amount to enough to pay the interest on the investment of $400,000,000 which the United States has made in the construction of the Canal. We ought not to do this, first, because the benefit to be derived by the United States from this expenditure is not to be measured solely by a return upon the investment. If it were, then the construction might well have been left to private enterprise. It was because an adequate return upon the money invested could not be expected immediately, or in the near future, and because there were peculiar political advantages to be derived from the construction of the Canal that it fell to the Government to advance the money and perform the work.

In addition to the benefit to our naval strength, the Canal greatly increases the trade facilities of the United States. It will undoubtedly cheapen the rates of transportation in all freight between the Eastern and Western seaboard. Then, if we are to have a world canal, and if we are anxious that the world's trade shall use it, we must recognize that we have an active competitor in the Suez Canal and that there are other means of carriage between the two oceans—by the Tehuantepec Railroad and by other railroads and freight routes in Central America.

In all these cases the question whether the Panama Canal is to be used and its tonnage increased will be determined mainly by the charge for its use. My own impression is that the tolls ought not to exceed $1 per net ton. On January 1, 1911, the tolls in the Suez Canal are to be 7 francs and 25 centimes for 1 net ton by Suez Canal measurement, which is a modification of Danube measurement. A dollar a ton will secure under the figures above a gross income from the Panama Canal of nearly $7,000,000. The cost of maintenance and operation is estimated to exceed $3,000,000. Ultimately, of course, with the normal increase in trade, we hope the income will approximate the interest charges upon the investment. The inquiries already made of the Chief Engineer of the Canal show that the present consideration of this question is necessary in order that the commerce of the world may have time to adjust itself to the new conditions resulting from the opening of this new highway. On the whole I should recommend that within certain limits the President be authorized to fix the tolls of the Canal and adjust them to what seems to be commercial necessity.

MAINTENANCE OF CANAL.

The next question that arises is as to the maintenance, management, and general control of the canal after its completion. It should be premised that it is an essential part of our navy establishment to have the coal, oil and other ship supplies, a dry dock, and repair shops, conveniently located with reference to naval vessels passing through the canal. Now, if the Government, for naval purposes, is to undertake to furnish these conveniences to the navy, and they are conveniences equally required by commercial vessels, there would seem to be strong reasons why the Government should take over and include in its management the furnishing, not only to the navy but to the public, dry-dock and repair-shop facilities, and the sale of coal, oil, and other ship supplies.

The maintenance of a lock canal of this enormous size in a sparsely populated country and in the tropics, where the danger from disease is always present, requires a large and complete and well-trained organization with full police powers, exercising the utmost care. The visitor to the canal who is impressed with the wonderful freedom from tropical diseases on the Isthmus must not be misled as to the constant vigilance that is needed to preserve this condition. The vast machinery of the locks, the necessary amount of dredging, the preservation of the banks of the canal from slides, the operation and the maintenance of the equipment of the railway—will all require a force, not, of course, to be likened in any way to the present organization for construction, but a skilled body of men who can keep in a state of usefulness this great instrument of commerce. Such an organization makes it easy to include within its functions the furnishing of dry-dock, fuel, repairs and supply facilities to the trade of the world. These will be more essential at the Isthmus of Panama than they are at Port Said or Suez, because there are no depots for coal, supplies, and other commercial necessities within thousands of miles of the Isthmus.

Another important reason why these ancillary duties may well be undertaken by the Government is the opportunity for discrimination between patrons of the canal that is offered where private concessions are granted for the furnishing of these facilities. Nothing would create greater prejudice against the canal than the suspicion that certain lines of traffic were favored in the furnishing of supplies or that the supplies were controlled by any large interest that might have a motive for increasing the cost of the use of the canal. It may be added that the termini are not ample enough to permit the fullest competition in respect to the furnishing of these facilities and necessities to the world's trade even if it were wise to invite such competition and the granting of the concession would necessarily, under these circumstances, take on the appearance of privilege or monopoly.

PROHIBITION OF RAILROAD OWNERSHIP OF CANAL STEAMERS.

I can not close this reference to the canal without suggesting as a wise amendment to the interstate commerce law a provision prohibiting interstate commerce railroads from owning or controlling ships engaged in the trade through the Panama Canal. I believe such a provision may be needed to save to the people of the United States the benefits of the competition in trade between the eastern and western seaboards which this canal was constructed to secure.

DEPARTMENT OF JUSTICE.

The duties of the Department of Justice have been greatly increased by legislation of Congress enacted in the interest of the general welfare of the people and extending its activities into avenues plainly within its constitutional jurisdiction, but which it has not been thought wise or necessary for the General Government heretofore to occupy.

I am glad to say that under the appropriations made for the Department, the Attorney-General has so improved its organization that a vast amount of litigation of a civil and criminal character has been disposed of during the current year. This will explain the necessity for slightly increasing the estimates for the expenses of the Department. His report shows the recoveries made on behalf of the Government, of duties fraudulently withheld, public lands improperly patented, fines and penalties for trespass, prosecutions and convictions under the antitrust law, and prosecutions under the interstate-commerce law. I invite especial attention to the prosecutions under the Federal law of the so-called "bucket shops," and of those schemes to defraud in which the use of the mail is an essential part of the fraudulent conspiracy, prosecutions which have saved ignorant and weak members of the public and are saving them hundreds of millions of dollars. The violations of the antitrust law present perhaps the most important litigation before the Department, and the number of cases filed shows the activity of the Government in enforcing that statute.

NATIONAL INCORPORATION.

In a special message last year I brought to the attention of Congress the propriety and wisdom of enacting a general law providing for the incorporation of industrial and other companies engaged in interstate commerce, and I renew my recommendation in that behalf.

PAYMENT OF JUST CLAIMS.

I invite the attention of Congress to the great number of claims which, at the instance of Congress, have been considered by the Court of Claims and decided to be valid claims against the Government. The delay that occurs in the payment of the money due under the claims injures the reputation of the Government as an honest debtor, and I earnestly recommend that those claims which come to Congress with the judgment and approval of the Court of Claims should be promptly paid.

REFORM IN JUDICIAL PROCEDURE.

One great crying need in the United States is cheapening the cost of litigation by simplifying judicial procedure and expediting final judgment. Under present conditions the poor man is at a woeful disadvantage in a legal contest with a corporation or a rich opponent. The necessity for the reform exists both in the United States courts and in all State courts. In order to bring it about, however, it naturally falls to the General Government by its example to furnish a model to all States. A legislative commission appointed by joint resolution of Congress to revise the procedure in the United States courts has as yet made no report.

Under the law the Supreme Court of the United States has the power and is given the duty to frame the equity rules of procedure which are to obtain in the Federal courts of first instance. In view of the heavy burden of pressing litigation which that Court has had to carry, with one or two of its members incapacitated through ill health, it has not been able to take up problems of improving the equity procedure, which has practically remained the same since the organization of the Court in 1789. It is reasonable to expect that with all the vacancies upon the Court filled, it will take up the question of cheapening and simplifying the procedure in equity in the courts of the United States. The equity business is much the more important in the Federal courts, and I may add much the more expensive. I am strongly convinced that the best method of improving judicial procedure at law is to empower the Supreme Court to do it through the medium of the rules of the court, as in equity. This is the way in which it has been done in England, and thoroughly done. The simplicity and expedition of procedure in the English courts today make a model for the reform of other systems.

Several of the Lord Chancellors of England and of the Chief Justices have left their lasting impress upon the history of their country by their constructive ability in proposing and securing the passage of remedial legislation effecting law reforms. I can not conceive any higher duty that the Supreme Court could perform than in leading the way to a simplification of procedure in the United States courts.

RELIEF OF SUPREME COURT FROM UNNECESSARY APPEALS.

No man ought to have, as a matter of right, a review of his case by the Supreme Court. He should be satisfied by one hearing before a court of first instance and one review by a court of appeals. The proper and chief usefulness of a Supreme Court, and especially of the Supreme Court of the United States, is, in the cases which come before it, so to expound the law, and especially the fundamental law—the Constitution—as to furnish precedents for the inferior courts in future litigation and for the executive officers in the construction of statutes and the performance of their legal duties. Therefore, any provisions for review of cases by the Supreme Court that cast upon that Court the duty of passing on questions of evidence and the construction of particular forms of instruments, like indictments, or wills, or contracts, decisions not of general application or importance, merely clog and burden the Court and render more difficult its higher function, which makes it so important a part of the framework of our Government. The Supreme Court is now carrying an unnecessary burden of appeals of this kind, and I earnestly urge that it be removed.

The statutes respecting the review by the Supreme Court of the United States of decisions of the Court of Appeals of the District of Columbia ought to be so amended as to place that court in the same position with respect to the review of its decisions as that of the various United States Circuit Courts of Appeals. The act of March 2, 1907, authorizing appeals by the Government from certain judgments in criminal cases where the defendant has not been put in jeopardy, within the meaning of the Constitution, should be amended so that such appeals should be taken to the Circuit Courts of Appeals instead of to the Supreme Court in all cases except those involving the construction of the Constitution or the constitutionality of a statute, with the same power in the Supreme Court to review on *certiorari* as is now exercised by that court over determinations of the several Circuit Courts of Appeals. Appeals in copyright cases should reach final judgment in the courts of appeals instead of the Supreme Court as now. The decision of the courts of appeals should be made final also in all cases wherein jurisdiction rests on both diverse citizenship and the existence of a federal question, and not as now be reviewable in the Supreme Court when the case involves more than one thousand dollars. Appeals from the United States Court in Porto Rico should run to the Circuit Court of Appeals of the third circuit instead of to the Supreme Court. These suggested changes would, I am advised, relieve the Supreme Court of the consideration of about 100 cases annually.

The American Bar Association has had before it the question of reducing the burden of litigation involved in reversals on review and new trials or re-hearings and in frivolous appeals in habeas corpus and criminal cases. Their recommendations have been embodied in bills now pending in Congress. The recommendations are not radical, but they will accomplish much if adopted into law, and I earnestly recommend the passage of the bills embodying them.

INJUNCTION BILL.

I wish to renew my urgent recommendation made in my last Annual Message in favor of the passage of a law which shall regulate the issuing of injunctions in equity without notice in accordance with the best practice now in vogue in the courts of the United States. I regard this of especial importance, first because it has been promised, and second because it will deprive those who now complain of certain alleged abuses in the improper issuing of injunctions without notice of any real ground for further amendment and will take away all semblance of support for the extremely radical legislation they propose, which will be most pernicious if adopted, will sap the foundations of judicial power, and legalize that cruel social instrument, the secondary boycott.

JUDICIAL SALARIES.

I further recommend to Congress the passage of the bill now pending for the increase in the salaries of the Federal Judges, by which the Chief Justice of the United States shall receive $17,500 and the Associate Justices of the Supreme Court $17,000; the Circuit Judges constituting the Circuit Court of Appeals shall receive $10,000, and the District Judges $9,000. These judges exercise a wise jurisdiction and their duties require of them a profound knowledge of the law, great ability in the dispatch of business, and care and delicacy in the exercise of their jurisdiction so as to avoid conflict whenever possible between the Federal and the State courts. The positions they occupy ought to be filled by men who have shown the greatest ability in their professional work at the bar, and it is the poorest economy possible for the Government to pay salaries so low for judicial service as not to be able to command the best talent of the legal profession in every part of the country. The cost of living is such, especially in the large cities, that even the salaries fixed in the proposed bill will enable the incumbents to accumulate little, if anything, to support their families after their death. Nothing is so important to the preservation of our country and its beloved institutions as the maintenance of the independence of the judiciary, and next to the life tenure an adequate salary is the most material contribution to the maintenance of independence on the part of our Judges.

POST-OFFICE DEPARTMENT.

POSTAL SAVINGS BANKS.

At its last session Congress made provision for the establishment of savings banks by the Post-Office Department of this Government, by which, under the general control of trustees, consisting of the Postmaster-General, the Secretary of the Treasury and the Attorney-General, the system could be begun in a few cities and towns, and enlarged to cover within its operations as many cities and towns and as large a part of the country as seemed wise. The initiation and establishment of such a system has required a great deal of study on the part of the experts in the Post-Office and Treasury Departments, but a system has now been devised which is believed to be more economical and simpler in its operation than any similar system abroad. Arrangements have been perfected so that savings banks will be opened in some cities and towns on the 1st of January, and there will be a gradual extension of the benefits of the plan to the rest of the country.

WIPING OUT OF POSTAL DEFICIT.

As I have said, the Post-Office Department is a great business department, and I am glad to note the fact that under its present management principles of business economy and efficiency are being applied. For many years there has been a deficit in the operations of the Post-Office Department which has been met by appropriation from the Treasury. The appropriation estimated for last year from the Treasury over and above the receipts of the Department was $17,500,000. I am glad to record the fact that of that $17,500,000 estimated for, $11,500,000 were saved and returned to the Treasury. The personal efforts of the Postmaster-General secured the effective cooperation of the thousands of postmasters and other postal officers throughout the country in carrying out his plans of reorganization and retrenchment. The result is that the Postmaster-General has been able to make his estimate of expenses for the present year so low as to keep within the amount the postal service is expected to earn. It is gratifying to report that the reduction in the deficit has been accomplished without any curtailment of postal facilities. On the contrary the service has been greatly extended during the year in all its branches. A principle which the Postmaster-General has recommended and sought to have enforced in respect to all appointments has been that those appointees who have rendered good service should be reappointed. This has greatly strengthened the interest of postmasters throughout the country in maintaining efficiency and economy in their offices, because they believed generally that this would secure for them a further tenure.

EXTENSION OF THE CLASSIFIED SERVICE.

Upon the recommendation of the Postmaster-General, I have included in the classified service all assistant postmasters, and I believe that this giving a secure tenure to those who are the most important subordinates of Postmasters will add much to the efficiency of their offices and an economical administration. A large number of the [illegible] now in the classified service. I think it [illegible] in the classified service the first, second, and third class postmasters. It is more logical to do this than to classify [illegible] the reason that the fourth-class post-offices are invariably small, and the postmasters are necessarily men who must combine some other business with the postmastership, whereas the first, second, and third class postmasters are paid a sufficient amount to justify the requirement that they shall have no other business and that they shall devote their attention to their post-office duties. To classify first, second, and third class postmasters would require the passage of an act changing the method of their appointment so as to take away the necessity for the advice and consent of the Senate. I am aware that this is inviting from the Senate a concession in respect to its quasi executive power that is considerable, but I believe it to be in the interest of good administration and efficiency of service. To make this change would take the postmasters out of politics; would relieve Congressmen who now are burdened with the necessity of making recommendations for these places of a responsibility that must be irksome and can create nothing but trouble; and it would result in securing from postmasters greater attention to business, greater fidelity, and consequently greater economy and efficiency in the post-offices which they conduct.

THE FRANKING PRIVILEGE.

The unrestricted manner in which the franking privilege is now being used by the several branches of the Federal service and by Congress has laid it open to serious abuses, a fact clearly established through investigations recently instituted by the Department. While it has been impossible without a better control of franking to determine the exact expense to the Government of this practice, there can be no doubt that it annually reaches into the millions. It is believed that many abuses of the franking system could be prevented, and consequently a marked economy effected, by supplying through the agencies of the postal service special official envelopes and stamps for the free mail of the Government, all such envelopes and stamps to be issued on requisition to the various branches of the Federal service requiring them, and such records to be kept of all official stamp supplies as will enable the Post-Office Department to maintain a proper postage account covering the entire volume of free Government mail. As the first step in the direction of this reform, special stamps and stamped envelopes have been provided for use instead of franks in the free transmission of the official mail resulting from the business of the new postal savings system. By properly recording the issuance of such stamps and envelopes accurate records can be kept of the cost to the Government of handling the postal savings mail, which is certain to become an important item of expense and one that should be separately determined. In keeping with this plan it is hoped that Congress will authorize the substitution of special official stamps and stamped envelopes for the various forms of franks now used to carry free of postage the vast volume of Departmental and Congressional mail matter. During the past year methods of accounting similar to those employed in the most progressive of our business establishments have been introduced in the postal service and nothing has so impeded the Department's plan in this regard as the impossibility of determining with any exactness how far the various expenses of the postal service are increased by the present unrestricted use of the franking privilege. It is believed that the adoption of a more exact method of dealing with this problem as proposed will prove to be of tremendous advantage in the work of placing the postal service on a strictly businesslike basis.

SECOND-CLASS MAIL MATTER.

In my last Annual Message I invited the attention of Congress to the inadequacy of the postal rate imposed upon second-class mail matter in so far as that includes magazines, and showed by figures prepared by experts of the Post-Office Department that the Government was rendering a service to the magazines, costing many millions in excess of the compensation paid. An answer was attempted to this by the representatives of the magazines, and a reply was filed to this answer by the Post-Office Department. The utter inadequacy of the answer, considered in the light of the reply of the Post-Office Department, I think must appeal to any fair-minded person. Whether the answer was all that could be said in behalf of the magazines is another question. I agree that the question is one of fact; but I insist that if the fact is as the experts of the Post-Office Department show, that we are furnishing to the owners of magazines a service worth millions more than they pay for it, then justice requires that the rate should be increased. The increase in the receipts of the Department resulting from this change may be devoted to increasing the usefulness of the Department in establishing a parcels post and in reducing the cost of first-class postage to one cent. It has been said by the Postmaster-General that a fair adjustment might be made under which the advertising part of the magazine should be charged for at a different and higher rate from that of the reading matter. This would relieve many useful magazines that are not circulated at a profit, and would not shut them out from the use of the mails by a prohibitory rate.

PARCELS POST.

With respect to the parcels post, I respectfully recommend its adoption on all rural-delivery routes, and that 11 pounds—the international limit—be made the limit of carriage in such post, and this, with a view to its general extension when the income of the Post-Office will permit it and the Postal Savings Banks shall have been fully established.

The same argument is made against the parcels post that was made against the postal savings bank—that it is introducing the Government into a business which ought to be conducted by private persons, and is paternalism. The Post-Office Department has a great plant and a great organization, reaching into the most remote hamlet of the United States, and with this machinery it is able to do a great many things economically that if a new organization were necessary it would be impossible to do without extravagant expenditure. That is the reason why the postal savings bank can be carried on at a small additional cost, and why it is possible to incorporate at a very inconsiderable expense a parcels post in the rural-delivery system. A general parcels post will involve a much greater outlay.

NAVY DEPARTMENT.

REORGANIZATION.

In the last annual report of the Secretary of the Navy and in my Annual Message, attention was called to the new detail of officers in the Navy Department by which officers of flag rank were assigned to duty as Aides to the Secretary in respect to naval operations, personnel, inspection, and material. This change was a substantial compliance with the recommendation of the Commission on Naval Reorganization, headed by Mr. Justice Moody, and submitted to President Roosevelt on February 26, 1909. Through the advice of this committee of line officers, the Secretary is able to bring about a proper coordination of all the branches of the naval department with greater military efficiency. The Secretary of the Navy recommends that this new organization be recognized by legislation and thus made permanent. I concur in the recommendation.

LEGISLATIVE RECOMMENDATIONS.

The Secretary, in view of the conclusions of a recent Court of Inquiry on certain phases of Marine Corps administration, recommends that the Major-General Commandant of the Marine Corps be appointed for a four years' term, and that officers of the Adjutant and Inspector's department be detailed from the line. He also asks for legislation to improve the conditions now existing in the personnel of officers of the Navy, particularly with regard to the age and experience of flag officers and captains, and points out that it is essential to the highest efficiency of the Navy that the age of our officers be reduced and that flag officers, particularly, should gain proper experience as flag officers, in order to enable them to properly command fleets. I concur in the Secretary's recommendations.

COVERING OF NAVAL SUPPLY FUND INTO TREASURY.

I commend to your attention the report of the Secretary on the change in the system of cost accounting in navy-yards, and also to the history of the naval supply fund and the present conditions existing in regard to that matter. Under previous practice and what now seems to have been an erroneous construction of the law, the supply fund of the navy was increased from $2,700,000 to something over $14,000,000, and a system of accounting was introduced which prevented the striking of a proper balance and a knowledge of the exact cost of maintaining the naval establishment. The system has now been abandoned and a Naval Supply Account established by law July 1, 1910. The Naval Supply fund of $2,700,000 is now on deposit in the Treasury to the credit of the Department. The Secretary recommends that the Naval Supply Account be made permanent by law and that the $2,700,000 of the naval supply fund be covered into the Treasury as unnecessary, and I ask for legislative authority to do this. This sum when covered into the Treasury will be really a reduction in the recorded Naval cost for this year.

ESTIMATES AND BUILDING PROGRAM.

The estimates of the Navy Department are $5,000,000 less than the appropriations for the same purpose last year, and included in this is the building program of the same amount as that submitted for your consideration last year. It is merely carrying out the plan of building two battleships a year, with a few needed auxiliary vessels. I earnestly hope that this program will be adopted.

ABOLITION OF NAVY-YARDS.

The Secretary of the Navy has given personal examination to every navy-yard and has studied the uses of the navy-yards with reference to the necessities of our fleet. With a fleet considerably less than half the size of that of the British navy, we have shipyards more than double the number, and there are several of these shipyards, expensively equipped with modern machinery, which after investigation the Secretary of the Navy believes to be entirely useless for naval purposes. He asks authority to abandon certain of them and to move their machinery to other places where it can be made of use.

In making these recommendations the Secretary is following directly along progressive lines which have been adopted in our great commercial and manufacturing consolidations in this country; that is, of dismantling unnecessary and inadequate plants and discontinuing their existence where it has been demonstrated that it is unprofitable to continue their maintenance at an expense not commensurate to their product.

GUANTANAMO PROPER NAVAL BASE.

The Secretary points out that the most important naval base in the West Indies is Guantanamo, in the southeastern part of Cuba. Its geographical situation is admirably adapted to protect the commercial paths to the Panama Canal, and he shows that by the expenditure of less than half a million dollars, with the machinery which he shall take from other navy-yards, he can create a naval station at Guantanamo of sufficient size and equipment to serve the purpose of an emergency naval base. I earnestly join in the recommendation that he be given the authority which he asks. I am quite aware that such action is likely to arouse local opposition; but I conceive it to be axiomatic that in legislating in the interest of the Navy, and for the general protection of the country by the Navy, mere local pride or pecuniary interest in the establishment of a navy-yard or station ought to play no part. The recommendation of the Secretary is based upon the judgment of impartial naval officers, entirely uninfluenced by any geographical or sectional considerations.

JOHN PAUL JONES.

I unite with the Secretary in the recommendation that an appropriation be made to construct a suitable crypt at Annapolis for the custody of the remains of John Paul Jones.

PEARY.

The complete success of our country in Arctic exploration should not remain unnoticed. For centuries there has been friendly rivalry in this field of effort between the foremost nations and between the bravest and most accomplished men. Expeditions to the unknown North have been encouraged by enlightened governments and deserved honors have been granted to the daring men who have conducted them. The unparalleled accomplishment of an American in reaching the North Pole, April 6, 1909, approved by critical examination of the most expert scientists, has added to the distinction of our navy, to which he belongs, and reflects credit upon his country. His unique success has received generous acknowledgment from scientific bodies and institutions of learning in Europe and America. I recommend fitting recognition by Congress of the great achievement of Robert Edwin Peary.

DEPARTMENT OF THE INTERIOR.

APPEALS TO COURT IN LAND CASES.

The Secretary of the Interior recommends a change of the law in respect to the procedure in adjudicating claims for lands, by which appeals can be taken from the decisions of the Department to the Court of Appeals of the District of Columbia for a judicial consideration of the rights of the claimant. This change finds complete analogy in the present provision for appeals from the decisions of the Commissioner of Patents. The judgments of the court in such cases would be of decisive value to land claimants generally and to the Department of the Interior in the administration of the law, would enable claimants to bring into Court the final consideration of issues as to the title to Government land and would, I think, obviate a good deal of the subsequent litigation that now arises in our Western courts. The bill is pending, I believe, in the House, having been favorably reported from the Committee on Public Lands, and I recommend its enactment.

ARREARS WIPED OUT.

One of the difficulties in the Interior Department and in the Land Office has been the delays attendant upon the consideration by the Land Office and the Secretary of the Interior of claims for patents of public lands to individuals. I am glad to say that under the recent appropriations of the Congress and the earnest efforts of the Secretary and his subordinates, these arrears have been disposed of, and the work of the Department has been brought more nearly up to date in respect to the pending business than ever before in its history. Economies have been effected where possible without legislative assistance, and these are shown in the reduced estimates for the expenses of the Department during the current fiscal year and during the year to come.

CONSERVATION.

The subject of the conservation of the public domain has commanded the attention of the people within the last two or three years.

AGRICULTURAL LANDS.

There is no need for radical reform in the methods of disposing of what are really agricultural lands. The present laws have worked well. The enlarged homestead law has encouraged the successful farming of lands in the semiarid regions.

RECLAMATION.

The total sum already accumulated in the fund provided by the act for the reclamation of arid lands is about $69,449,058.76, and of this, all but $6,241,058.76 has been allotted to the various projects, of which there are thirty. Congress at its last session provided for the issuing of certificates of indebtedness not exceeding twenty millions of dollars, to be redeemed from the reclamation fund when the proceeds of lands sold and from the water-rents should be sufficient. Meantime, in accordance with the provisions of the law, I appointed a board of army engineers to examine the projects and to ascertain which are feasible and worthy of completion. That board has made a report upon the subject, which I shall transmit in a separate message within a few days.

CONSERVATION ADDRESS.

In September last a conservation Congress was held at St. Paul, at which I delivered an address on the subject of conservation so far as it was within the jurisdiction and possible action of the Federal Government. In that address I assembled from the official records the statistics and facts as to what had been done in this behalf in the administration of my predecessor and in my own, and indicated the legislative measures which I believed to be wise in order to secure the best use, in the public interest, of what remains of our National domain. There was in this address a very full discussion of the reasons which led me to the conclusions stated. For the purpose of saving in an official record a comprehensive résumé of the statistics and facts gathered with some difficulty in that address, and to avoid their repetition in the body of this message, I venture to make the address an accompanying appendix. The statistics are corrected to November 15th last.

SPECIFIC RECOMMENDATIONS.

For the reasons stated in the conservation address, I recommend:

First, that the limitation now imposed upon the Executive which forbids his reserving more forest lands in Oregon, Washington, Idaho, Montana, Colorado, and Wyoming, be repealed.

Second, that the coal deposits of the Government be leased after advertisement inviting competitive bids, for terms not exceeding fifty years, with a minimum rental and royalties upon the coal mined, to be readjusted every ten or twelve years, and with conditions as to maintenance which will secure proper mining, and as to assignment which will prevent combinations to monopolize control of the coal in any one district or market. I do not think that coal measures under 2,500 acres of surface would be too large an amount to lease to any one lessee.

The Secretary of the Interior thinks there are difficulties in the way of leasing public coal lands, which objections he has set forth in his report, the force of which I freely concede. I entirely approved his stating at length in his report the objections in order that the whole subject may be presented to Congress, but after a full consideration I favor a leasing system and recommend it.

Third, that the law should provide the same separation in respect to government phosphate lands of surface and mineral rights that now obtains in coal lands and that power to lease such lands upon terms and limitations similar to those above recommended for coal leases, with an added condition enabling the Government to regulate, and if need be to prohibit, the export to foreign countries of the product.

Fourth, that the law should allow a prospector for oil or gas to have the right to prospect for two years over a certain tract of government land, the right to be evidenced by a license for which he shall pay a small sum; and that upon discovery, a lease may be granted upon terms securing a minimum rental and proper royalties to the Government, and also the conduct of the oil or gas well in accord with the best method for husbanding the supply of oil in the district. The period of the leases should not be as long as those of coal, but they should contain similar provisions as to assignment to prevent monopolistic combinations.

Fifth, that water-power sites be directly leased by the Federal Government, after advertisement and bidding, for not exceeding fifty years upon a proper rental and with a condition fixing rates charged to the public for units of electric power, both rental and rates to be readjusted equitably every ten years by arbitration or otherwise, with suitable provisions against assignment to prevent monopolistic combinations. Or, that the law shall provide that upon application made by the authorities of the State where the water-power site is situated, it may be patented to the State on condition that the State shall dispose of it under terms like those just described, and shall enforce those terms, or upon failure to comply with the condition the water-power site and all the plant and improvement on the site shall be forfeited and revert to the United States, the President being given the power to declare the forfeiture and to direct legal proceedings for its enforcement. Either of these methods would, I think, accomplish the proper public purpose in respect to water-power sites, but one or the other should be promptly adopted.

NECESSITY FOR PROMPT ACTION.

I earnestly urge upon Congress that at this session general conservation legislation of the character indicated be adopted. At its last session this Congress took most useful and proper steps in the cause of conservation by allowing the Executive, through withdrawals, to suspend the action of the existing laws in respect to much of the public domain. I have not thought that the danger of disposing of coal lands in the United States under the present laws in large quantities was so great as to call for their withdrawal, because under the present provisions it is reasonably certain that the Government will receive the real value of the land. But, in respect to oil lands, or phosphate lands, and of gas lands in the United States, and in respect to coal lands in Alaska, I have exercised the full power of withdrawal with the hope that the action of Congress would follow promptly and prevent that tying up of the resources of the country in the western and less settled portion and in Alaska, which means stagnation and retrogression.

The question of conservation is not a partisan one, and I sincerely hope that even in the short time of the present session consideration may be given to those questions which have now been much discussed, and that action may be taken upon them.

ALASKA.

With reference to the government of Alaska, I have nothing to add to the recommendations I made in my last message on the subject. I am convinced that the migratory character of the population, its unequal distribution, and its smallness of number, which the new census shows to be about 50,000, in relation to the enormous expanse of the territory, make it altogether impracticable to give to those people who are in Alaska to-day and may not be there a year hence, the power to elect a legislature to govern an immense territory to which they have a relation so little permanent. It is far better for the development of the territory that it be committed to a commission to be appointed by the Executive, with limited legislative powers sufficiently broad to meet the local needs, than to continue the present insufficient government with few remedial powers, or to make a popular government where there is not proper foundation upon which to rest it.

The suggestion that the appointment of a commission will lead to the control of the government by corporate or selfish and exploiting interests has not the slightest foundation in fact. Such a government worked well in the Philippines, and would work well in Alaska, and those who are really interested in the proper development of that territory for the benefit of the people who live in it and the benefit of the people of the United States, who own it, should support the institution of such a government.

ALASKAN RAILWAYS.

I have been asked to recommend that the credit of the Government be extended to aid the construction of railroads in Alaska. I am not ready now to do so. A great many millions of dollars have already been expended in the construction of at least two railroads, and if laws be passed providing for the proper development of the resources of Alaska, especially for the opening up of the coal lands, I believe that the capital already invested will induce the investment of more capital, sufficient to complete the railroads building, and to furnish cheap coal not only to Alaska but to the whole Pacific coast. The passage of a law permitting the leasing of government coal lands in Alaska after public competition, and the appointment of a commission for the government of the territory, with enabling powers to meet the local needs, will lead to an improvement in Alaska and the development of her resources that is likely to surprise the country.

NATIONAL PARKS.

Our national parks have become so extensive and involve so much detail of action in their control that it seems to me there ought to be legislation creating a bureau for their care and control. The greatest natural wonder of this country and the surrounding territory should be included in another national park. I refer to the Grand Canyon of the Colorado.

PENSIONS.

The uniform policy of the Government in the matter of granting pensions to those gallant and devoted men who fought to save the life of the Nation in the perilous days of the great Civil War, has always been of the most liberal character. Those men are now rapidly passing away. The best obtainable official statistics show that they are dying at the rate of something over three thousand a month, and, in view of their advancing years, this rate must inevitably, in proportion, rapidly increase. To the man who risked everything on the field of battle to save the Nation in the hour of its direst need, we owe a debt which has not been and should not be computed in a begrudging or parsimonious spirit. But while we should be actuated by this spirit to the soldier himself, care should be exercised not to go to absurd lengths, or distribute the bounty of the Government to classes of persons who may, at this late day, from a mere mercenary motive, seek to obtain some legal relation with an old veteran now tottering on the brink of the grave. The true spirit of the pension laws is to be found in the noble sentiments expressed by Mr. Lincoln in his last inaugural address, wherein, in speaking of the Nation's duty to its soldiers when the struggle should be over, he said we should "care for him who shall have borne the battle, and for his widow and orphans."

DEPARTMENT OF AGRICULTURE.

VALUE OF THIS YEAR'S CROPS.

The report of the Secretary of Agriculture invites attention to the stupendous value of the agricultural products of this country, amounting in all to $8,926,000,000 for this year. This amount is larger than that of 1909 by $305,000,000. The existence of such a crop indicates a good prospect for business throughout the country. A notable change for the better is commented upon by the Secretary in the fact that the South, especially in those regions where the boll weevil has interfered with the growth of cotton, has given more attention to the cultivation of corn and other cereals, so that there is a greater diversification of crops in the South than ever before—and all to the great advantage of that section.

DEPARTMENT ACTIVITIES.

The report contains a most interesting account of the activities of the Department in its various bureaus, showing how closely the agricultural progress in this country is following along the lines of improvement recommended by the Department through its publications and the results of its experiment stations in every State, and by the instructions given through the agricultural schools aided by the Federal Government and following the general curriculum urged by the head and bureau chiefs of the Department.

The activities of the Department have been greatly increased by the enactment of recent legislation, by the pure-food act, the meat-inspection act, the cattle-transportation act, and the act concerning the interstate shipment of game. This department is one of those the scope of whose action is constantly widening, and therefore it is impossible under existing legislation to reduce the cost and their estimates below those of preceding years.

FARMERS' INCOME AND COST OF LIVING.

An interesting review of the results of an examination made by the Department into statistics and prices, shows that on the average since 1891, farm products have increased in value 72 per cent while the things which the farmer buys for use have increased but 12 per cent, an indication that present conditions are favorable to the farming community.

FOREST SERVICE.

I have already referred to the forests of the United States and their extent, and have urged, as I do again, the removal of the limitation upon the power of the Executive to reserve other tracts of land in six Western States in which withdrawal for this purpose is now forbidden. The Secretary of Agriculture gives a very full description of the disastrous fires that occurred during the last summer in the national forests. A drought more intense than any recorded in the history of the West had introduced a condition into the forests which made fires almost inevitable, and locomotive sparks, negligent campers, and in some cases incendiaries furnished the needed immediate cause. At one time the fires were so extended that they covered a range of a hundred miles, and the Secretary estimates that standing timber of the value of 25 millions of dollars was destroyed. Seventy-six persons in the employ of the Forest Service were killed and many more injured, and I regret to say that there is no provision in the law by which the expenses for their hospital treatment or of their interment could be met out of public funds. The Red Cross contributed a thousand dollars, and the remainder of the necessary expenses was made up by private contribution, chiefly from the force of the Forest Service and its officials. I recommend that suitable legislation be adopted to enable the Secretary of Agriculture to meet the moral obligations of the Government in this respect.

APPROPRIATION FOR FIRE FIGHTING.

The specific fund for fighting fires was only about $135,000, but there existed discretion in the Secretary in case of an emergency to apply other funds in his control to this purpose, and he did so to the extent of nearly a million of dollars, which will involve the presentation of a deficiency estimate for the current fiscal year of over $900,000. The damage done was not therefore due to the lack of an appropriation by Congress available to meet the emergency, but the difficulty of fighting it lay in the remote points where the fires began and where it was impossible with the roads and trails as they now exist promptly to reach them. Proper protection necessitates, as the Secretary points out, the expenditure of a good deal more money in the development of roads and trails in the forests, the establishment of lookout stations, and telephone connection between them and places where assistance can be secured.

REFORESTATION.

The amount of reforestation shown in the report of the Forest Service—only about 15,000 acres as compared with the 150 millions of acres of national forests—seems small, and I am glad to note that in this regard the Secretary of Agriculture and the chief of the Forest Service are looking forward to far greater activity in the use of available Government land for this purpose. Progress has been made in learning by experiment the best methods of reforesting. Congress is appealed to now by the Secretary of Agriculture to make the appropriations needed for enlarging the usefulness of the Forest Service in this regard. I hope that Congress will approve and adopt the estimate of the Secretary for this purpose.

DEPARTMENT OF COMMERCE AND LABOR.

The Secretary of the Department of Commerce and Labor has had under his immediate supervision the application of the merit system of promotion to a large number of employees, and his discussion of this method of promotions based on actual experience, I commend to the attention of Congress.

THE CENSUS BUREAU.

The taking of the census has proceeded with promptness and efficiency. The Secretary believes, and I concur, that it will be more thorough and accurate than any census which has heretofore been taken, but it is not perfect. The motive that prompts men with a false civic pride to induce the padding of census returns in order to increase the population of a particular city has been strong enough to lead to fraud in respect to a few cities in this country, and I have directed the Attorney-General to proceed with all the vigor possible against those who are responsible for these frauds. They have been discovered and they will not interfere with the accuracy of the census, but it is of the highest importance that official inquiry of this sort should not be embarrassed by fraudulent conspiracies in some private or local interest.

BUREAU OF LIGHT-HOUSES.

The reorganization of the Light-House Board has effected a very considerable saving in the administration, and the estimates for that service for the present year are $428,000 less than for the preceding year. In addition, three tenders, for which appropriations were made, are not being built because they are not at present needed for the service. The Secretary is now asking for a large sum for the addition of lights and other aids to the commerce of the seas, including a number in Alaska. The trade along that coast is becoming so important that I respectfully urge the necessity for following his recommendation.

BUREAU OF CORPORATIONS.

The Commissioner of Corporations has just completed the first part of a report on the lumber industry in the United States. This part does not find the existence of a trust or combination in the manufacture of lumber. The Commissioner does find, however, a condition in the ownership of the standing timber of the United States, other than the Government timber, that calls for serious attention. The direct investigation made by the Commissioner covered an area which contains 80 per cent of the privately owned timber of the country. His report shows that one-half of the timber in this area is owned by 200 individuals and corporations; that 14 per cent is owned by 3 corporations, and that there is very extensive interownership of stock, as well as other circumstances, all pointing to friendly relations among those who own a majority of this timber, a relationship which might lead to a combination for the maintenance of a price that would be very detrimental to the public interest, and would create the necessity of removing all tariff obstacles to the free importations of lumber from other countries.

BUREAU OF FISHERIES.

I am glad to note in the Secretary's report the satisfactory progress which is being made in respect to the preservation of the seals of the Pribiloff Islands. Very active steps are being taken by the Department of State to secure an arrangement which shall protect the Pribiloff herd from the losses due to pelagic sealing. Meantime the Government has secured seal pelts of the bachelor seals (the killing of which does not interfere with the maintenance of the herd), from the sale of which next month it is expected to realize about $450,000, a sum largely in excess of the rental paid by the lessee of the Government under the previous contract.

COAST AND GEODETIC SURVEY.

The Coast and Geodetic Survey has been engaged in surveying the coasts of the Philippine archipelago. This is a heavy work, because of the extended character of the coast line in those Islands, but I am glad to note that about half of the needed survey has been completed. So large a part of the coast line of the archipelago has been unsurveyed as to make navigation in the neighborhood of a number of the islands, and especially on the east side, particularly dangerous.

BUREAU OF LABOR.

The Commissioner of Labor has been actively engaged in composing the differences between employers and employees engaged in interstate transportation, under the Erdman Act, jointly with the Chairman of the Interstate Commerce Commission. I can not speak in too high terms of the success of these two officers in conciliation and settlement of controversies which, but for their interposition, would have resulted disastrously to all interests.

TAX ON PHOSPHOROUS MATCHES.

I invite attention to the very serious injury caused to all those who are engaged in the manufacture of phosphorous matches. The diseases incident to this are frightful, and as matches can be made from other materials entirely innocuous, I believe that the injurious manufacture could be discouraged and ought to be discouraged by the imposition of a heavy federal tax. I recommend the adoption of this method of stamping out a very serious abuse.

EIGHT-HOUR LAW.

Since 1868 it has been the declared purpose of this Government to favor the movement for an eight-hour day by a provision of law that none of the employees employed by or *on behalf* of the Government should work longer than eight hours in every twenty-four. The first declaration of this view was not accompanied with any penal clause or with any provision for its enforcement, and, though President Grant by a proclamation twice attempted to give it his sanction and to require the officers of the Government to carry it out, the purpose of the framers of the law was ultimately defeated by a decision of the Supreme Court holding that the statute as drawn was merely a direction of the Government to its agents and did not invalidate a contract made in behalf of the Government which provided in the contract for labor for a day of longer hours than eight. Thereafter, in 1892, the present eight-hour law was passed, which provides that the services and employment of all laborers and mechanics who are now or may hereafter be employed by the Government of the United States, by the District of Columbia, or by any contractor or subcontractor on any of the public works of the United States and of the said District of Columbia is hereby restricted to eight hours in any one calendar day. This law has been construed to limit the application of the requirement to those who are directly employed by the Government or to those who are employed upon public works situate upon land owned by the United States. This construction prevented its application to government battle ships and other vessels built in private shipyards and to heavy guns and armor plate contracted for and made at private establishments.

PENDING BILL.

The proposed act provides that no laborer or mechanic doing any part of the work contemplated by a contract with the United States in the employ of the contractor or any subcontractor shall be required or permitted to work more than eight hours a day in any one calendar day.

It seems to me from the past history that the Government has been committed to a policy of encouraging the limitation of the day's work to eight hours in all works of construction initiated by itself, and it seems to me illogical to maintain a difference between government work done on government soil and government work done in a private establishment, when the work is of such large dimensions and involves the expenditure of much labor for a considerable period, so that the private manufacturer may adjust himself and his establishment to the special terms of employment that he must make with his workmen for this particular job. To require, however, that every small contract of manufacture entered into by the Government should be carried out by the contractor with men working at eight hours would be to impose an intolerable burden upon the Government by limiting its sources of supply and excluding altogether the great majority of those who would otherwise compete for its business.

The proposed act recognizes this in the exceptions which it makes to contracts

> "for transportation by land or water, for the transmission of intelligence, and for such materials or articles as may usually be bought in the open market whether made to conform to particular specifications or not, or for the purchase of supplies by the Government, whether manufactured to conform to particular specifications or not."

SUBSTITUTE FOR PENDING BILL.

I recommend that instead of enacting the proposed bill, the meaning of which is not clear and definite and might be given a construction embarrassing to the public interest, the present act be enlarged by providing that public works shall be construed to include not only buildings and work upon public ground, but also ships, armor, and large guns when manufactured in private yards or factories.

PROVISION FOR SUSPENSION IN EMERGENCIES BY PRESIDENT.

One of the great difficulties in enforcing this eight-hour law is that its application under certain emergencies becomes exceedingly oppressive and there is a great temptation to subordinate officials to evade it. I think that it would be wiser to allow the President, by Executive order, to declare an emergency in special instances in which the limitation might not apply and, in such cases, to permit the payment by the Government of extra compensation for the time worked each day in excess of eight hours. I may add that my suggestions in respect to this legislation have the full concurrence of the Commissioner of Labor.

WORKMEN'S COMPENSATION.

In view of the keen, widespread interest now felt in the United States in a system of compensation for industrial accidents to supplant our present thoroughly unsatisfactory system of employers' liability (a subject the importance of which Congress has already recognized by the appointment of a commission), I recommend that the International Congress on Industrial Insurance be invited to hold its meeting in 1913 in Washington, and that an appropriation of $10,000 be made to cover the necessary expenses of organizing and carrying on the meeting.

BUREAU OF IMMIGRATION.

DISTRIBUTING IMMIGRANTS.

The immigration into this country is increasing each year. A large part of it comes through the immigrant station at Ellis Island in the City of New York. An examination of the station and the methods pursued satisfies me that a difficult task is there performed by the commissioner and his force with common sense, the strictest fairness, and with the most earnest desire to enforce the law equitably and mercifully. It has been proposed to enlarge the accommodations so as to allow more of the immigrants to come by that port. I do not think it wise policy to do this. I have no objection to—on the contrary, I recommend—the construction of additional buildings for the purpose of facilitating a closer and more careful examination of each immigrant as he comes in, but I deprecate the enlargement of the buildings and of the force for the purpose of permitting the examination of more immigrants per day than are now examined. If it is understood that no more immigrants can be taken in at New York than are now taken in, and the steamship companies thus are given a reason and a motive for transferring immigrants to other ports, we can be confident that they will be better distributed through the country and that there will not be that congestion in the City of New York which does not make for the better condition of the immigrant or increase his usefulness as a new member of this community. Everything which tends to send the immigrants west and south into rural life helps the country.

AMENDMENTS RECOMMENDED.

I concur with the Secretary in his recommendations as to the amendments to the immigration law in increasing the fine against the companies for violation of the regulations, and in giving greater power to the commissioner to enforce more care on the part of the steamship companies in accepting immigrants. The recommendation of the Secretary, in which he urges that the law may be amended so as to discourage the separation of families, is, I think, a good one.

MISCELLANEOUS SUBJECTS NOT INCLUDED IN DEPARTMENTS.

BUREAU OF HEALTH.

In my message of last year I recommended the creation of a Bureau of Health, in which should be embraced all those Government agencies outside of the War and Navy Departments which are now directed toward the preservation of public health or exercise functions germane to that subject. I renew this recommendation. I greatly regret that the agitation in favor of this bureau has aroused a counteragitation against its creation, on the ground that the establishment of such a bureau is to be in the interest of a particular school of medicine. It seems to me that this assumption is wholly unwarranted, and that those responsible for the Government can be trusted to secure in the personnel of the bureau the appointment of representatives of all recognized schools of medicine, and in the management of the bureau entire freedom from narrow prejudice in this regard.

THE IMPERIAL VALLEY PROJECT.

By an act passed by Congress the President was authorized to expend a million dollars to construct the needed work to prevent injury to the lands of the Imperial Valley from the overflow of the Colorado River. I appointed a competent engineer to examine the locality and to report a plan for construction. He has done so. In order to complete the work it is necessary to secure the consent of Mexico, for part of the work must be constructed in Mexican territory. Negotiations looking to the securing of such authority are quite near success. The Southern Pacific Railroad Company proposes to assist us in the work by lending equipment and by the transportation of material at cost price, and it is hoped that the work may be completed before any danger shall arise from the spring floods in the river. The work is being done under the supervision of the Secretary of the Interior and his consulting engineer, General Marshall, late Chief of Engineers, now retired.

This leads me to invite the attention of Congress to the claim made by the Southern Pacific Railroad Company for an amount expended in a similar work of relief called for by a flood and great emergency. This work, as I am informed, was undertaken at the request of my predecessor and under promise to reimburse the railroad company. It seems to me the equity of this claim is manifest, and the only question involved is the reasonable value of the work done. I recommend the payment of the claim in a sum found to be just.

DISTRICT OF COLUMBIA.

CHARACTER OF GOVERNMENT.

The government of the District of Columbia is a good government. The police force, while perhaps it might be given, or acquire, more military discipline in bearing and appearance, is nevertheless an efficient body of men, free from graft, and discharges its important duties in this capital of the nation effectively. The parks and the streets of the city and the District are generally kept clean and in excellent condition. The Commissioners of the District have its affairs well in hand, and, while not extravagant, are constantly looking to those municipal improvements that are expensive but that must be made in a modern growing city like Washington. While all this is true, nevertheless the fact that Washington is governed by Congress, and that the citizens are not responsible and have no direct control through popular election in District matters, properly subjects the government to inquiry and criticism by its citizens, manifested through the public press and otherwise; such criticism should command the careful attention of Congress. Washington is the capital of the nation and its maintenance as a great and beautiful city under national control, every lover of his country has much at heart; and it should present in every way a model in respect of economy of expenditure, of sanitation, of tenement reform, of thorough public instruction, of the proper regulation of public utilities, of sensible and extended charities, of the proper care of criminals and of youth needing reform, of healthful playgrounds and opportunity for popular recreation, and of a beautiful system of parks. I am glad to think that progress is being made in all these directions, but I venture to point out certain specific improvements toward these ends which Congress in its wisdom might adopt. Speaking generally, I think there ought to be more concentration of authority in respect to the accomplishment of some of these purposes with more economy of expenditure.

PUBLIC PARKS.

Attention is invited to the peculiar situation existing in regard to the parks of Washington. The park system proper, comprising some 343 different areas, is under the Office of Public Buildings and Grounds, which, however, has nothing to do with the control of Rock Creek Park, the Zoological Park, the grounds of the Department of Agriculture, the Botanic Garden, the grounds of the Capitol, and other public grounds which are regularly open to the public and ought to be part of the park system. Exclusive of the grounds of the Soldiers' Home and of Washington Barracks, the public grounds used as parks in the District of Columbia comprise over 3,100 acres, under ten different controlling officials or bodies. This division of jurisdiction is most unfortunate.

Large sums of money are spent yearly in beautifying and keeping in good condition these parks and the grounds connected with Government buildings and institutions. The work done on all of them is of the same general character—work for which the Office of Public Buildings and Grounds has been provided by Congress with a special organization and equipment, which are lacking for the grounds not under that office. There can be no doubt that if all work of care and improvement upon the grounds belonging to the United States in the District of Columbia were put, as far as possible, under one responsible head, the result would be not only greater efficiency and economy in the work itself, but greater harmony in the development of the public parks and gardens of the city.

Congress at its last session provided for two more parks, called the Meridian Hill and Montrose parks, and the District Commissioners have also included in their estimates a sum to be used for the acquisition of much needed park land adjoining the Zoological Park, known as the Klingle Ford tract. The expense of these three parks, included in the estimates of the Commissioners, aggregates $900,000. I think it would lead to economy if the improvement and care of all these parks and other public grounds above described should be transferred to the Office of Public Buildings and Grounds, which has an equipment well and economically adapted to carrying out the public purpose in respect to improvements of this kind.

To prevent encroachments upon the park area it is recommended that the erection of any permanent structure on any lands in the District of Columbia belonging to the United States be prohibited except by specific authority of Congress.

THE DISTRICT OF COLUMBIA IN VIRGINIA.

I have already in previous communications to Congress referred to the importance of acquiring for the District of Columbia at least a part of the territory on the other side of the Potomac in Virginia which was originally granted for the District by the State of Virginia, and then was retroceded by act of Congress in 1846. It is very evident from conferences that I have had with the Senators and Representatives from Virginia that there is no hope of a regranting by the State of the land thus given back; and I am frank to say that in so far as the tract includes the town of Alexandria and land remote from the Potomac River there would be no particular advantage in bringing that within national control. But the land which lies along the Potomac River above the railroad bridge and across the Potomac, including Arlington Cemetery, Fort Myer, the Government experiment farm, the village of Rosslyn, and the Palisades of the Potomac, reaching to where the old District line intersects the river, is very sparsely settled and could be admirably utilized for increasing the system of the parks of Washington. It has been suggested to me by the same Virginia Senators and Representatives that if the Government were to acquire for a government park the land above described, which is not of very great value, the present law of Virginia would itself work the creation of federal jurisdiction over it, and if that were not complete enough, the legislature of Virginia would in all probability so enlarge the jurisdiction as to enable Congress to include it within the control of the government of the District of Columbia and actually make it a part of Washington. I earnestly recommend that steps be taken to carry out this plan.

PUBLIC UTILITIES.

There are a sufficient number of corporations enjoying the use of public utilities in the District of Columbia to justify and require the enactment of a law providing for their supervision and regulation in the public interest consistent with the vested rights secured to them by their charters. A part of these corporations, to wit, the street railways, have been put under the control of the Interstate Commerce Commission, but that Commission recommends that the power be taken from it, and intimates broadly that its other and more important duties make it impossible for it to give the requisite supervision. It seems to me wise to place this general power of supervision and regulation in the District Commissioners. It is said that their present duties are now absorbing and would prevent the proper discharge by them of these new functions, but their present jurisdiction brings them so closely and frequently in contact with these corporations and makes them to know in such detail how the corporations are discharging their duties under the law and how they are serving the public interest that the Commissioners are peculiarly fitted to do this work, and I hope that Congress will impose it upon them by intrusting them with powers in respect to such corporations similar to those of the public utilities commission of New York City or similar boards in Massachusetts.

SCHOOL SYSTEM.

I do not think the present control of the school system of Washington commends itself as the most efficient and economical and thorough instrument for the carrying on of public instruction.

The cost of education in the District of Columbia is excessive as compared with the cost in other cities of similar size, and it is not apparent that the results are in general more satisfactory. The average cost per pupil per day in Washington is about 38 cents, while the average cost in 13 other American cities fairly comparable with Washington in population and standard of education is about 25.5 cents. For each dollar spent in salaries of school teachers and officers in the District about 4.4 days of instruction per pupil are given, while in the 13 cities above referred to each dollar expended for salaries affords on the average 6.8 days of instruction. For the current fiscal year the estimates of the Board of Education amounted to about three-quarters of the entire revenue locally collected for District purposes.

If I may say so, there seems to be a lack of definite plan in the expansion of the school system and the erection of new buildings and of proper economy in the use of these buildings that indicates the necessity for the concentration of control. All plans for improvement and expansion in the school system are with the School Board, while the limitation of expenses is with the District Commissioners. I think it would be much better to put complete control and responsibility in the District Commissioners, and then provide a board of school visitors, to be appointed by the Supreme Court of the District or by the

President, from the different school districts of Washington, who, representing local needs, shall meet and make recommendations to the Commissioners and to the Superintendent of Education—an educator of ability and experience who should be an appointee of and responsible to the District Commissioners.

PERMANENT IMPROVEMENTS.

Among other items for permanent improvements appearing in the District estimates for 1912 is one designed to substitute for Willow Tree Alley, notorious in the records of the Police and Health Departments, a playground with a building containing baths, a gymnasium, and other helpful features, and I hope Congress will approve this estimate. Fair as Washington seems with her beautiful streets and shade trees, and free, as the expanse of territory which she occupies would seem to make her, from slums and insanitary congestion of population, there are centers in the interior of squares where the very poor, and the criminal classes as well, huddle together in filth and noisome surroundings, and it is of primary importance that these nuclei of disease and suffering and vice should be removed, and that there should be substituted for them small parks as breathing spaces, and model tenements having sufficient air space and meeting other hygienic requirements. The estimate for the reform of Willow Tree Alley, the worst of these places in the city, is the beginning of a movement that ought to attract the earnest attention and support of Congress, for Congress can not escape its responsibility for the existence of these human pest holes.

The estimates for the District of Columbia for the fiscal year 1912 provide for the repayment to the United States of $616,000, one-fourth of the floating debt that will remain on June 30, 1911. The bonded debt will be reduced in 1912 by about the same amount.

The District of Columbia is now in an excellent financial condition. Its own share of indebtedness will, it is estimated, be less than $6,000,000 on June 30, 1912, as compared with about $9,000,000 on June 30, 1909.

The bonded debt, owed half and half by the United States and the District, will be extinguished by 1924, and the floating debt of the District probably long before that time.

The revenues have doubled in the last ten years, while the population during the same period has increased but 18.78 per cent. It is believed that, if due economy be practiced, the District can soon emerge from debt, even while financing its permanent improvements with reasonable rapidity from current revenues.

To this end, I recommend the enactment into law of a bill now before Congress—and known as the Judson Bill—which will insure the gradual extinguishment of the District's debt, while at the same time requiring that the many permanent improvements needed to complete a fitting capital city shall be carried on from year to year and at a proper rate of progress with funds derived from the rapidly increasing revenues.

FREEDMEN'S BANK.

I renew my recommendation that the claims of the depositors in the Freedmen's Bank be recognized and paid by the passage of the pending bill on that subject.

NEGRO EXPOSITION.

I also renew my recommendation that steps be taken looking to the holding of a Negro exposition in celebration of the fiftieth anniversary of the issuing by Mr. Lincoln of the Emancipation Proclamation.

CIVIL SERVICE COMMISSION.

The Civil Service Commission has continued its useful duties during the year. The necessity for the maintenance of the provisions of the civil service law was never greater than to-day. Officers responsible for the policy of the Administration, and their immediate personal assistants or deputies, should not be included within the classified service; but in my judgment, public opinion has advanced to the point where it would support a bill providing a secure tenure during efficiency for all purely administrative officials. I entertain the profound conviction that it would greatly aid the cause of efficient and economical government, and of better politics if Congress could enact a bill providing that the Executive shall have the power to include in the classified service all local offices under the Treasury Department, the Department of Justice, the Post-Office Department, the Interior Department, and the Department of Commerce and Labor, appointments to which now require the confirmation of the Senate, and that upon such classification the advice and consent of the Senate shall cease to be required in such appointments. By their certainty of tenure, dependent on good service, and by their freedom from the necessity for political activity, these local officers would be induced to become more efficient public servants.

The civil service law is an attempt to solve the problem of the proper selection of those who enter the service. A better system under that law for promotions ought to be devised, but, given the selected employee, there remains still the question of promoting his efficiency and his usefulness to the Government, and that can be brought about only by a careful comparison of unit work done by the individual and a pointing out of the necessity for improvement in this regard where improvement is possible.

INQUIRY INTO ECONOMY AND EFFICIENCY.

The increase in the activities and in the annual expenditures of the Federal Government has been so rapid and so great that the time has come to check the expansion of government activities in new directions until we have tested the economy and efficiency with which the Government of to-day is being carried on. The responsibility rests upon the head of the Administration. He is held accountable by the public, and properly so. Despite the unselfish and patriotic efforts of the heads of departments and others charged with responsibility of government, there has grown up in this country a conviction that the expenses of government are too great. The fundamental reason for the existence undetected of waste, duplication, and bad management is the lack of prompt, accurate information. The president of a private corporation doing so vast a business as the Government transacts would, through competent specialists, maintain the closest scrutiny on the comparative efficiency and the comparative costs in each division or department of the business. He would know precisely what the duties and the activities of each bureau or division are in order to prevent overlapping. No adequate machinery at present exists for supplying the President of the United States with such information respecting the business for which he is responsible. For the first time in the history of the Government, Congress in the last session supplied this need and made an appropriation to enable the President to inquire into the economy and efficiency of the executive departments, and I am now assembling an organization for that purpose.

At the outset I find comparison between departments and bureaus impossible for the reason that in no two departments are the estimates and expenditures displayed and classified alike. The first step is to reduce all to a common standard for classification and judgment, and this work is now being done. When it is completed, the foundation will be laid for a businesslike national budget, and for such a just comparison of the economy and efficiency with which the several bureaus and divisions are conducted as will enable the President and the heads of Departments to detect waste, eliminate duplication, encourage the intelligent and effective civil servants whose efforts too often gc unnoticed, and secure the public service at the lowest possible cost.

The Committees on Appropriations of Congress have diligently worked to reduce the expenses of government and have found their efforts often blocked by lack of accurate information containing a proper analysis of requirements and of actual and reasonable costs. The result of this inquiry should enable the Executive in his communications to Congress to give information to which Congress is entitled and which will enable it to promote economy.

My experience leads me to believe that while Government methods are much criticised, the bad results—if we do have bad results—are not due to a lack of zeal or willingness on the part of the civil servants. On the contrary, I believe that a fine spirit of willingness to work exists in the personnel, which, if properly encouraged, will produce results equal to those secured in the best managed private enterprises. In handling Government expenditure the aim is not profit—the aim is the maximum of public service at the minimum of cost. We wish to reduce the expenditures of the Government, and we wish to save money to enable the Government to go into some of the beneficial projects which we are debarred from taking up now because we ought not to increase our expenditures.

I have requested the head of each Department to appoint committees on economy and efficiency in order to secure full cooperation in the movement by the employees of the Government themselves.

At a later date I shall send to Congress a special message on this general subject.

I urge the continuance of the appropriation of $100,000 requested for the fiscal year 1912.

CIVIL SERVICE RETIREMENT.

It is impossible to proceed far in such an investigation without perceiving the need of a suitable means of eliminating from the service the superannuated. This can be done in one of two ways, either by straight civil pension or by some form of contributory plan.

Careful study of experiments made by foreign governments shows that three serious objections to the civil pension payable out of the public treasury may be brought against it by the taxpayer, the administrative officer, and the civil employee, respectively. A civil pension is bound to become an enormous, continuous, and increasing tax on the public exchequer; it is demoralizing to the service since it makes difficult the dismissal of incompetent employees after they have partly earned their pension; and it is disadvantageous to the main body of employees themselves since it is always taken into account in fixing salaries and only the few who survive and remain in the service until pensionable age receive the value of their deferred pay. For this reason, after a half century of experience under a most liberal pension system, the civil servants of England succeeded, about a year ago, in having the system so modified as to make it virtually a contributory plan with provision for refund of their theoretical contributions.

The experience of England and other countries shows that neither can a contributory plan be successful, human nature being what it is, which does not make provision for the return of contributions, with interest, in case of death or resignation before pensionable age. Followed to its logical conclusion this means that the simplest and most independent solution of the problem for both employee and the Government is a compulsory savings arrangement, the employee to set aside from his salary a sum sufficient, with the help of a liberal rate of interest from the Government, to purchase an adequate annuity for him on retirement, this accumulation to be inalienably his and claimable if he leaves the service before reaching the retirement age or by his heirs in case of his death. This is the principle upon which the Gillett bill now pending is drawn.

The Gillett bill, however, goes further and provides that the Government shall contribute to the pension fund of those employees who are now so advanced in age that their personal contributions will not be sufficient to create their annuities before reaching the retirement age. In my judgment this provision should be amended so that the annuities of those employees shall be paid out of the salaries appropriated for the positions vacated by retirement, and that the difference between the annuities thus granted and the salaries may be used for the employment of efficient clerks at the lower grades. If the bill can be thus amended I recommend its passage, as it will initiate a valuable system and ultimately result in a great saving in the public expenditures.

INTERSTATE COMMERCE COMMISSION.

There has not been time to test the benefit and utility of the amendments to the interstate commerce law contained in the act approved June 18, 1910. The law as enacted did not contain all the features which I recommended. It did not specifically denounce as unlawful the purchase by one of two parallel and competing roads of the stock of the other. Nor did it subject to the restraining influence of the Interstate Commerce Commission the power of corporations engaged in operating interstate railroads to issue new stock and bonds; nor did it authorize the making of temporary agreements between railroads, limited to thirty days, fixing the same rates for traffic between the same places.

I do not press the consideration of any of these objects upon Congress at this session. The object of the first provision is probably generally covered by the antitrust law. The second provision was in the act referred to the consideration of a commission to be appointed by the Executive and to report upon the matter to Congress. That commission has been appointed, and is engaged in the investigation and consideration of the question submitted under the law. It consists of President Arthur T. Hadley, of Yale University, as chairman; Frederick Strauss, Frederick N. Judson, Walter L. Fisher, and Prof. B. H. Meyer, with William E. S. Griswold as secretary.

The third proposal led to so much misconstruction of its object, as being that of weakening the effectiveness of the antitrust law, that I am not disposed to press it for further consideration. It was intended to permit railroad companies to avoid useless rate cutting by a mere temporary acquiescence in the same rates for the same service over competing railroads, with no obligation whatever to maintain those rates for any time.

SAFETY APPLIANCES AND PROVISIONS.

The protection of railroad employees from personal injury is a subject of the highest importance and demands continuing attention. There have been two measures pending in Congress, one for the supervision of boilers and the other for the enlargement of dangerous clearances. Certainly some measures ought to be adopted looking to a prevention of accidents from these causes. It seems to me that with respect to boilers a bill might well be drawn requiring and enforcing by penalty a proper system of inspection by the railway companies themselves which would accomplish our purpose. The entire removal of outside clearances would be attended by such enormous expense that some other remedy must be adopted. By act of May 6, 1910, the Interstate Commerce Commission is authorized and directed to investigate accidents, to report their causes and its recommendations. I suggest that the Commission be requested to make a special report as to injuries from outside clearances and the best method of reducing them.

VALUATION OF RAILROADS.

The Interstate Commerce Commission has recommended appropriations for the purpose of enabling it to enter upon a valuation of all railroads. This has always been within the jurisdiction of the Commission, but the requisite funds have been wanting. Statistics of the value of each railroad would be valuable for many purposes, especially if we ultimately enact any limitations upon the power of the interstate railroads to issue stocks and bonds, as I hope we may. I think, therefore, that in order to permit a correct understanding of the facts, it would be wise to make a reasonable appropriation to enable the Interstate Commerce Commission to proceed with due dispatch to the valuation of all railroads. I have no doubt that railroad companies themselves can and will greatly facilitate this valuation and make it much less costly in time and money than has been supposed.

FRAUDULENT BILLS OF LADING.

Forged and fraudulent bills of lading purporting to be issued against cotton, some months since, resulted in losses of several millions of dollars to American and foreign banking and cotton interests. Foreign bankers then notified American bankers that, after October 31, 1910, they would not accept bills of exchange drawn against bills of lading for cotton issued by American railroad companies, unless American bankers would guarantee the integrity of the bills of lading. The American bankers rightly maintained that they were not justified in giving such guarantees, and that, if they did so, the United States would be the only country in the world whose bills were so discredited, and whose foreign trade was carried on under such guaranties.

The foreign bankers extended the time at which these guaranties were demanded until December 31, 1910, relying upon us for protection in the meantime, as the money which they furnish to move our cotton crop is of great value to this country.

For the protection of our own people and the preservation of our credit in foreign trade, I urge upon Congress the immediate enactment of a law under which one who, in good faith, advances money or credit upon a bill of lading issued by a common carrier upon an interstate or foreign shipment can hold the carrier liable for the value of the goods described in the bill at the valuation specified in the bill, at least to the extent of the advances made in reliance upon it. Such liability exists under the laws of many of the States. I see no objection to permitting two classes of bills of lading to be issued: (1) Those under which a carrier shall be absolutely liable, as above suggested, and (2) those with respect to which the carrier shall assume no liability except for the goods actually delivered to the agent issuing the bill. The carrier might be permitted to make a small separate specific charge in addition to the rate of transportation for such guaranteed bill, as an insurance premium against loss from the added risk, thus removing the principal objection which I understand is made by the railroad companies to the imposition of the liability suggested, viz., that the ordinary transportation rate would not compensate them for the liability assumed by the absolute guaranty of the accuracy of the bills of lading.

I further recommend that a punishment of fine and imprisonment be imposed upon railroad agents and shippers for fraud or misrepresentation in connection with the issue of bills of lading issued upon interstate and foreign shipments.

GENERAL CONCLUSION AS TO INTERSTATE COMMERCE AND ANTITRUST LAW.

Except as above, I do not recommend any amendment to the interstate-commerce law as it stands. I do not now recommend any amendment to the anti-trust law. In other words, it seems to me that the existing legislation with reference to the regulation of corporations

THE MOBILIZATION OF TROOPS IN TEXAS

MOBILIZATION OF TROOPS IN TEXAS, 1911

The laws of neutrality required that we prevent the exportation from the United States of munitions of war, for the use of the Mexican insurrectos under General Madero. In order to accomplish this purpose the whole border was patrolled by United States troops. The numbers of the troops, the haste with which the movement was made, and the fact that they carried ball cartridges caused a good deal of speculation as to an ulterior motive. There is a possibility that the President feared that anarchy would follow the overthrow of the Diaz régime and desired to have troops ready to march into the country and protect foreigners so as to obviate the necessity of other nations intervening to protect their nationals. The army responded fairly well to the demands of the moment.

See the articles, "Mexico, Treaties with," "Mexico," "Neutrality Proclamation of," in the Encyclopedic Index.

and the restraint of their business has reached a point where we can stop for a while and witness the effect of the vigorous execution of the laws on the statute books in restraining the abuses which certainly did exist and which roused the public to demand reform. If this test develops a need for further legislation, well and good, but until then let us execute what we have. Due to the reform movements of the present decade, there has undoubtedly been a great improvement in business methods and standards. The great body of business men of this country, those who are responsible for its commercial development, now have an earnest desire to obey the law and to square their conduct of business to its requirements and limitations. These will doubtless be made clearer by the decisions of the Supreme Court in cases pending before it. It is in the interest of all the people of the country that for the time being the activities of government, in addition to enforcing earnestly and impartially the existing laws, should be directed to economy of administration, to the enlargement of opportunities for foreign trade, to the conservation and improvement of our agricultural lands and our other natural resources, to the building up of home industries, and to the strengthening of confidence of capital in domestic investment.

WILLIAM H. TAFT.

APPENDIX TO SECOND ANNUAL MESSAGE.

Address to the National Conservation Congress in St. Paul, Minn., September 5, 1910.

[Figures as to land withdrawals, classifications, and valuations are brought down to November 15, 1910.]

Conservation as an economic and political term has come to mean the preservation of our natural resources for economical use, so as to secure the greatest good to the greatest number. In the development of this country, in the hardships of the pioneer, in the energy of the settler, in the anxiety of the investor for quick returns, there was very little time, opportunity, or desire to prevent waste of those resources supplied by nature which could not be quickly transmuted into money; while the investment of capital was so great a desideratum that the people as a community exercised little or no care to prevent the transfer of absolute ownership of many of the valuable natural resources to private individuals, without retaining some kind of control of their use. The impulse of the whole new community was to encourage the coming of population, the increase of settlement, and the opening up of business; and he who demurred in the slightest degree to any step which promised additional development of the idle resources at hand was regarded as a traitor to his neighbors and an obstructor to public progress. But now that the communities have become old, now that the flush of enthusiastic expansion has died away, now that the would-be pioneers have come to realize that all the richest lands in the country have been taken up, we have perceived the necessity for a change of policy in the disposition of our national resources so as to prevent the continuance of the waste which has characterized our phenomenal growth in the past. To-day we desire to restrict and retain under public control the acquisition and use by the capitalist of our natural resources.

The danger to the State and to the people at large from the waste and dissipation of our national wealth is not one which quickly impresses itself on the people of the older communities, because its most obvious instances do not occur in their neighborhood, while in the newer part of the country the sympathy with expansion and development is so strong that the danger is scoffed at or ignored. Among scientific men and thoughtful observers, however, the danger has always been present; but it needed some one to bring home the crying need for a remedy of this evil so as to impress itself on the public mind and lead to the formation of public opinion and action by the representatives of the people. Theodore Roosevelt took up this task in the last two years of his second administration, and well did he perform it.

As President of the United States I have, as it were, inherited this policy, and I rejoice in my heritage. I prize my high opportunity to do all that an Executive can do to help a great people realize a great national ambition. For conservation is national. It affects every man of us, every woman, every child. What I can do in the cause I shall do, not as President of a party, but as President of the whole people. Conservation is not a question of politics, or of factions, or of persons. It is a question that affects the vital welfare of all of us—of our children and our children's children. I urge that no good can come from meetings of this sort unless we ascribe to those who take part in them, and who are apparently striving worthily in the cause, all proper motives, and unless we judicially consider every measure or method proposed with a view to its effectiveness in achieving our common purpose, and wholly without regard to who proposes it or who will claim the credit for its adoption. The problems are of very great difficulty and call for the calmest consideration and clearest foresight. Many of the questions presented have phases that are new in this country, and it is possible that in their solution we may have to attempt first one way and then another. What I wish to emphasize, however, is that a satisfactory conclusion can only be reached promptly if we avoid acrimony, imputations of bad faith, and political controversy.

The public domain of the Government of the United States, including all the cessions from those of the thirteen States that made cessions to the United States and including Alaska, amounted in all to about 1,800,000,000 acres. Of this there is left as purely government property outside of Alaska something like 700,000,000 acres. Of this the national forest reserves in the United States proper embrace 144,000,000 acres. The rest is largely mountain or arid country, offering some opportunity for agriculture by dry farming and by reclamation, and containing metals as well as coal, phosphates, oils, and natural gas. Then the Government owns many tracts of land lying along the margins of streams that have water power, the use of which is necessary in the conversion of the power into electricity and its transmission.

I shall divide my discussion under the heads of (1) agricultural lands; (2) mineral lands—that is, lands containing metalliferous minerals; (3) forest lands; (4) coal lands; (5) oil and gas lands; and (6) phosphate lands.

I feel that it will conduce to a better understanding of the problems presented if I take up each class and describe, even at the risk of tedium, first, what has been done by the last administration and the present one in respect to each kind of land; second, what laws at present govern its disposition; third, what was done by the present Congress in this matter; and, fourth, the statutory changes proposed in the interest of conservation.

(1) AGRICULTURAL LANDS.

Our land laws for the entry of agricultural lands are now as follows:

The original homestead law, with the requirements of residence and cultivation for five years, much more strictly enforced now than ever before.

The enlarged homestead act, applying to nonirrigable lands only, requiring five years' residence and continuous cultivation of one-fourth of the area.

The desert-land act, which requires on the part of the purchaser the ownership of a water right and thorough reclamation of the land by irrigation, and the payment of $1.25 per acre.

The donation or Carey Act, under which the State selects the land and provides for its reclamation, and the title vests in the settler who resides upon the land and cultivates it and pays the cost of reclamation.

The national reclamation homestead law, requiring five years' residence and cultivation by the settler on the land irrigated by the Government, and payment by him to the Government of the cost of the reclamation.

There are other acts, but not of sufficient general importance to call for mention unless it is the stone and timber act, under which every individual, once in his lifetime, may acquire 160 acres of land, if it has valuable timber on it or valuable stone, by paying the price of not less than $2.50 per acre, fixed after examination of the stone or timber by a government appraiser. In times past a great deal of fraud has been perpetrated in the acquisition of lands under this act; but it is now being much more strictly enforced, and the entries made are so few in number that it seems to serve no useful purpose and ought to be repealed.

The present Congress passed a bill of great importance, severing the ownership of coal by the Government in the ground from the surface and permitting homestead entries upon the surface of the land, which, when perfected, give the settler the right to farm the surface, while the coal beneath the surface is retained in ownership by the Government and may be disposed of by it under other laws.

There is no crying need for radical reform in the methods of disposing of what are really agricultural lands. The present laws have worked well. The enlarged homestead law has encouraged the successful farming of lands in the semiarid regions. Of course the teachings of the Agricultural Department as to how these subarid lands may be treated and the soil preserved for useful culture are of the very essence of conservation. Then conservation of agricultural lands is shown in the reclamation of arid lands by irrigation and I should devote a few words to what the Government has done and is doing in this regard.

RECLAMATION.

By the reclamation act a fund has been created of the proceeds of the public lands of the United States with which to construct works for storing great bodies of water at proper altitudes from which, by a suitable system of canals and ditches, the water is to be distributed over the arid and subarid lands of the Government to be sold to settlers at a price sufficient to pay for the improvements. Primarily, the projects are and must be for the improvement of public lands. Incidentally, where private land is also within the reach of the water supply, the furnishing at cost or profit of this water to private owners by the Government is held by the Federal Court of Appeals not to be a usurpation of power. But certainly this ought not to be done except from surplus water not needed for government land. About 30 projects have been set on foot distributed through the public-land States in accord with the statute, by which the allotments from the reclamation fund are required to be as near as practicable in proportion to the proceeds from the sale of the public lands in the respective States. The total sum already accumulated in the reclamation fund is about $69,449,058.76, and of that all but $6,241,058.76 has been allotted. It became very clear to Congress at its last session, from the statements made by experts, that these 30 projects could not be promptly completed with the balance remaining on hand or with the funds likely to accrue in the near future. It was found, moreover, that there are many settlers who have been led into taking up lands with the hope and understanding of having water furnished in a short time, who are left in a most distressing situation. I recommended to Congress that authority be given to the Secretary of the Interior to issue bonds in anticipation of the assured earnings by the projects, so that the projects, worthy and feasible, might be promptly completed, and the settlers might be relieved from their present inconvenience and hardship. In authorizing the issue of these bonds, Congress limited the application of their proceeds to those projects which a board of army engineers, to be appointed by the President, should examine and determine to be feasible and worthy of completion. The board has been appointed and soon will make its report.

(2) MINERAL LANDS.

By mineral lands I mean those lands bearing metals, or what are called metalliferous minerals. The rules of ownership and disposition of these lands were first fixed by custom in the West, and then were embodied in the law, and they have worked, on the whole, so fairly and well that I do not think it is wise now to attempt to change or better them. The apex theory of tracing title to a lode has led to much litigation and dispute and ought not to have become the law, but it is so fixed and understood now that the benefit to be gained by a change is altogether outweighed by the inconvenience that would attend the introduction of a new system. So, too, the proposal for the Government to lease such mineral lands and deposits and to impose royalties might have been in the beginning a good thing, but now that most of the mineral land—I do not refer to coal land, or gas land, or phosphate land—has been otherwise disposed of it would be hardly worth while to assume the embarrassment of a radical change.

(3) FOREST LANDS.

Nothing can be more important in the matter of conservation than the treatment of our forest lands. It was probably the ruthless destruction of forests in the older States that first called attention to the necessity for a halt in the waste of our resources. This was recognized by Congress by an act authorizing the Executive to reserve from entry and set aside public timber lands as national forests. Speaking generally, there has been reserved of the existing forests about 70 per cent of all the timber lands of the Government. Within these forests (including 26,000,000 acres in two forests in Alaska) are 192,000,000 of acres, of which 166,000,000 of acres are in the United States proper and include within their boundaries something like 22,000,000 of acres that belong to the State or to private individuals. We have, then, excluding Alaska forests, a total of about 144,000,000 acres of forests belonging to the Government which is being treated in accord with the principles of scientific forestry. The law now prohibits the reservation of any more forest lands in Oregon, Washington, Idaho, Montana, Colorado, and Wyoming, except by act of Congress. I am informed by the Department of Agriculture that the Government owns other tracts of timber land in these States which should be included in the forest reserves. I expect to recommend to Congress that the limitation herein imposed shall be repealed. In the present forest reserves there are lands which are not properly forest land and which ought to be subject to homestead entry. This has caused some local irritation. We are carefully eliminating such lands from forest reserves, or, where their elimination is not practicable, listing them for entry under the forest homestead act. Congress ought to trust the Executive to use the power of reservation only with respect to land covered by timber or which will be useful in the plan of reforestation. During the present administration steps have been initiated which will result in the elimination of 6,250,000 acres of land, largely nontimbered, from forest reserves and in the addition of 3,500,000 acres of land principally valuable for forest purposes, making a net reduction in forest reserves amounting to 2,750,000 acres. The Bureau of Forestry since its creation has initiated reforestation on about 15,000 acres. A great deal of the forest land is available for grazing. During the past year the grazing lessees numbered 25,687, and they pastured upon the forest reserves 1,409,873 cattle, 85,552 horses, and 7,558,650 sheep, for which the Government received $986,909—a decrease from the preceding year of $45,276, due to the fact that no money was collected or received for grazing on the nontimbered lands eliminated from the forest reserve. Another source of profit in the forestry is the receipts for timber sold. This year they amounted to $1,043,428, an increase of $307,326 over the receipts of last year. This increase is due to the improvement in transportation to market and to the greater facility with which the timber can be reached.

The government timber in this country amounts to only one-fourth of all the timber, the rest being in private ownership. Only 3 per cent of that which is in private ownership is looked after properly and treated according to modern rules of forestry. The usual destructive waste and neglect continues in the remainder of the forests owned by private persons and corporations. It is estimated that fire alone destroys fifty million dollars' worth of timber a year. The management of forests not on public land is beyond the jurisdiction of the Federal Government. If anything can be done by law it must be done by the state legislatures. I believe that it is within their constitutional power and duty to require the enforcement of regulations in the general public interest, as to fire and other causes of waste in the management of forests owned by private individuals and corporations.

OTHER LAND WITHDRAWALS.

When President Roosevelt became fully advised of the necessity for the change in our disposition of public lands, especially those containing coal, oil, gas, phosphates, or water-power sites, he began the exercise of the power of withdrawal by executive order, of lands subject by law to homestead and the other methods of entering for agricultural lands. The precedent he set in this matter was followed by the present administration. Doubt had been expressed in some quarters as to the power in the Executive to make such withdrawals. The confusion and injustice likely to arise if the courts were to deny the power led me to appeal to Congress to give the President the express power. Congress has complied. The law as passed does not expressly validate or confirm previous withdrawals, and therefore as soon as the new law was passed, I myself confirmed all the withdrawals which had theretofore been made by both administrations by making them over again. This power of withdrawal is a most useful one, and I do not think that it is likely to be abused.

(4) COAL LANDS.

The next subject, and one most important for our consideration, is the disposition of the coal lands in the United States and in Alaska. First, as to those in the United States. At the beginning of this administration there were classified coal lands amounting to 5,476,000 acres, and there were withdrawn from entry for purposes of classification 17,867,000 acres. Since that time there have been withdrawn by my order from entry for classification 78,977,745 acres, making a total withdrawal of 96,844,745 acres. Meantime, of the acres thus withdrawn, 10,061,889 have been classified and found not to contain coal, and have been restored to agricultural entry, and 4,726,091 acres have been classified as coal lands, while 79,903,239 acres remain withdrawn from entry and await classification. In addition 337,000 acres have been classified as coal lands without prior withdrawal, thus increasing the classified coal lands to 10,429,372 acres.

Under the laws providing for the disposition of coal lands in the United States, the minimum price at which lands are permitted to be sold is $10 an acre; but the Secretary of the Interior has the power to fix a maximum price and to sell at that price. By the first regulations governing appraisal, approved April 8, 1907, the minimum was $10, as provided by law, and the maximum was $100, and the highest price actually placed upon any land sold was $75. Under the new regulations, adopted April 10, 1909, the maximum price was increased to $300, except in regions where there are large mines, where no maximum limit is fixed and the price is determined by the estimated tons of coal to the acre. The highest price fixed for any land under this regulation has been $608. The appraised value of the lands classified as coal lands and valued under the new and old regulations is shown to be as follows: 3,795,445 acres, valued under the old regulation at $76,804,337, an average of approximately $20.50 an acre; and 6,633,927 acres classified and valued under the new regulation at $430,050,364, or a total of 10,429,372 acres, valued at $506,854,701.

For the year ended June 30, 1909, 213 coal entries were made, embracing an area of 31,045 acres, which sold for $556,502.03. For the year ended June 30, 1910, there were 248 entries, embracing an area of 38,325 acres, which sold for $772,325.41; and from June 30 to November, 1910, there were 38 entries, with an area of 5,164 acres, which sold for $103,082.75, making the disposition of coal lands within the last two years of about 75,000 acres for $1,431,910.

The present Congress, as already said, has separated the surface of coal lands, either classified or withdrawn for classification, from the coal beneath, so as to permit at all times homestead entries upon the surface of lands useful for agriculture and to reserve the ownership in the coal to the Government. The question which remains to be considered is whether the existing law for the sale of the coal in the ground should continue in force or be repealed and a new method of disposition adopted. Under the present law the absolute title in the coal beneath the surface passes to the grantee of the Government. The price fixed is upon an estimated amount of the tons of coal per acre beneath the surface, and the prices are fixed so that the earnings will only be a reasonable profit upon the amount paid and the investment necessary. But, of course, this is more or less guesswork, and the Government parts with the ownership of the coal in the ground absolutely. Authorities of the Geological Survey estimate that in the United States to-day there is a supply of about 3,000 billions of tons of coal, and that of this 1,000 billions are in the public domain. Of course, the other 2,000 billions are within private ownership and under no more control as to the use or the prices at which the coal may be sold than any other private property. If the Government leases the coal lands and acts as any landlord would, and imposes conditions in its leases like those which are now imposed by the owners in fee of coal mines in the various coal regions of the East, then it would retain over the disposition of the coal deposits a choice as to the assignee of the lease, a power of resuming possession at the end of the term of the lease, or of readjusting terms at fixed periods of the lease, which might easily be framed to enable it to exercise a limited but effective control in the disposition and sale of the coal to the public. It has been urged that the leasing system has never been adopted in this country, and that its adoption would largely interfere with the investment of capital and the proper development and opening up of the coal resources. I venture to differ entirely from this view. My investigations show that many owners of mining property of this country do not mine it themselves, and do not invest their money in the plants necessary for the mining; but they lease their properties for a term of years varying from twenty to forty years, under conditions requiring the erection of a proper plant and the investment of a certain amount of money in the development of the mines, and fixing a rental and a royalty, sometimes an absolute figure and sometimes one proportioned to the market value of the coal. Under this latter method the owner of the mine shares in the prosperity of his lessees when coal is high and the profits good, and also shares to some extent in their disappointment when the price of coal falls.

I have looked with some care into a report made at the instance of President Roosevelt upon the disposition of coal lands in Australia, Tasmania, and New Zealand. These are peculiarly mining countries, and their experience ought to be most valuable. In all these countries the method for the disposition and opening of coal mines originally owned by the Government is by granting leasehold, and not by granting an absolute title. The terms of the leases run all the way from twenty to fifty years, while the amount of land which may be leased to any individual there is from 320 acres to 2,000 acres. It appears that a full examination was made and the opinions of all the leading experts on the subject were solicited and given, and that with one accord they approved in all respects the leasing system. Its success is abundantly shown. It is possible that at first considerable latitude will have to be given to the Executive in drafting these forms of lease, but as soon as experiment shall show which is the most workable and practicable, its use should be provided for specifically by statute.

The question as to how great an area ought to be included in a lease to one individual or corporation is not free from difficulty; but in view of the fact that the Government retains control as owner, I think there might be some liberality in the amount leased, and that 2,500 acres would not be too great a maximum. The leases should only be granted after advertisement and public competition.

By the opportunity to readjust the terms upon which the coal shall be held by the tenant, either at the end of each lease or at periods during the term, the Government may secure the benefit of sharing in the increased price of coal and the additional profit made by the tenant. By imposing conditions in respect to the character of work to be done in the mines, the Government may control the character of the development of the mines and the treatment of employees with reference to safety. By denying the right to transfer the lease except by the written permission of the governmental authorities, it may withhold the needed consent when it is proposed to transfer the leasehold to persons interested in establishing a monopoly of coal production in any State or neighborhood. As one-third of all the coal supply is held by the Government, it seems wise that it should retain such control over the mining and the sale as the relation of lessor to lessee furnishes.

ALASKA COAL LANDS.

The investigations of the Geological Survey show that the coal properties in Alaska cover about 1,200 square miles, and that there are known to be available about 15 billion tons. This is, however, an underestimate of the coal in Alaska, because further developments will probably increase this amount many times; but we can say with considerable certainty that there are two fields on the Pacific slope which can be reached by railways at a reasonable cost from deep water—in one case of about 50 miles and in the other case of about 150 miles—which will afford certainly 6 billion tons of coal, more than half of which is of a very high grade of bituminous and of anthracite. It is estimated to be worth, in the ground, one-half cent a ton, which makes its value per acre from $50 to $500. The coking-coal lands of Pennsylvania are worth from $800 to $2,000 an acre, while other Appalachian fields are worth from $10 to $386 an acre, and the fields in the Central States from $10 to $2,000 an acre, and in the Rocky Mountains from $10 to $500 an acre. The demand for coal on the Pacific coast is for about 4,500,000 tons a year. It would encounter the competition of cheap fuel oil, of which the equivalent of 12,000,000 tons of coal a year is used there. It is estimated that the coal could be laid down at Seattle or San Francisco, a high-grade bituminous, at $4 a ton and anthracite at $5 or $6 a ton. The price of coal on the Pacific slope varies greatly from time to time in the year and from year to year—from $4 to $12 a ton. With a regular coal supply established, the expert of the Geological Survey, Mr. Brooks, who has made a report on the subject, does not think there would be an excessive profit in the Alaska coal mining because the price at which the coal could be sold would be considerably lowered by competition from these fields and by the presence of crude fuel oil. The history of the laws affecting the disposition of Alaska coal lands shows them to need amendment badly. Speaking of them, Mr. Brooks says:

> "The first act, passed June 6, 1900, simply extended to Alaska the provisions of the coal-land laws in the United States. The law was ineffective, for it provided that only subdivided lands could be taken up, and there were then no land surveys in Alaska. The matter was rectified by the act of April 28, 1904, which permitted unsurveyed lands to be entered and the surveys to be made at the expense of the entrymen. Unfortunately, the law provided that only tracts of 160 acres could be taken up, and no recognition was given to the fact that it was impracticable to develop an isolated coal field requiring the expenditure of a large amount of money by such small units Many claims were staked, however, and surveys were made for patents. It was recognized by everybody familiar with the conditions that after patent was obtained these claims would be combined in tracts large enough to assure successful mining operations. No one experienced in mining would, of course, consider it feasible to open a coal field on the basis of single 160-acre tracts. The claims for the most part were handled in groups, for which one agent represented the several different owners. Unfortunately, a strict interpretation of the statute raised the question whether even a tacit understanding between claim owners to combine after patents had been obtained was not illegal. Remedial legislation was sought and enacted in the statute of May 28, 1908. This law permitted the consolidation of claims staked previous to November 12, 1906, in tracts of 2,560 acres. One clause of this law invalidated the title if any individual or corporation at any time in the future owned any interest whatsoever, directly or indirectly, in more than one tract. The purpose of this clause was to prevent the monopolization of coal fields; its immediate effect was to discourage capital. It was felt by many that this clause might lead to forfeiture of title through the accidents of inheritance, or might even be used by the unscrupulous in blackmailing. It would appear that land taken up under this law might at any time be forfeited to the Government through the action of any individual who, innocently or otherwise, obtained interest in more than one coal company. Such a title was felt to be too insecure to warrant the large investments needed for mining developments. The net result of all this is that no titles to coal lands have been passed."

On November 12, 1906, President Roosevelt issued an executive order withdrawing all coal lands from location and entry in Alaska. On May 16, 1907, he modified the order so as to permit valid locations made prior to the withdrawal on November 12, 1906, to proceed to entry and patent. Prior to that date some 900 claims had been filed, most of them said to be illegal because either made fraudulently by dummy entrymen in the interest of one individual or corporation, or because of agreements made prior to location between the applicants to coöperate in developing the lands. There are 33 claims for 160 acres each, known as the "Cunningham claims," which are claimed to be valid on the ground that they were made by an attorney for 33 different and bona fide claimants who, as alleged, paid their money and took the proper steps to locate their entries and protect them. The representatives of the Government, on the other hand, in the hearings before the Land Office have attacked the validity of these Cunningham claims on the ground that prior to their location there was an understanding between the claimants to pool their claims after they had been perfected and unite them in one company. The trend of decision seems to show that such an agreement would invalidate the claims, although under the subsequent law of May 28, 1908, the consolidation of such claims was permitted, after location and entry, in tracts of 2,560 acres. It would be, of course, improper for me to intimate what the result of the issue as to the Cunningham and other Alaska claims is likely to be, but it ought to be distinctly understood that no private claims for Alaska coal lands have as yet been allowed or perfected, and also that whatever the result as to pending claims, the existing coal-land laws of Alaska are most unsatisfactory and should be radically amended. To begin with, the purchase price of the land is a flat rate of $10 per acre with no power to increase it beyond that, although, as we have seen, the estimate of the agent of the Geological Survey would carry up the maximum of value to $500 an acre. In my judgment it is essential to the proper development of Alaska that these coal lands should be opened, and that the Pacific slope should be given the benefit of the comparatively cheap coal of fine quality which can be furnished at a reasonable price from these fields; but the public, through the Government, ought certainly to retain a wise control and interest in these coal deposits, and I think it may do so safely if Congress will authorize the granting of leases, as already suggested, for government coal lands in the United States, with provisions forbidding the transfer of the leases except with the consent of the Government, thus preventing their acquisition by a combination or monopoly and upon limitations as to the area to be included in any one lease to one individual, and at a certain moderate rental, with royalties upon the coal mined proportioned to the market value of the coal laid down either at Seattle or at San Francisco. Of course such leases should contain conditions requiring the erection of proper plants, the proper development by modern mining methods of the properties leased, and the use of every known and practical means and device for saving the life of the miners.

The Government of the United States has much to answer for in not having given proper attention to the government of Alaska and the development of her resources for the benefit of all the people of the country. I would not force development at the expense of a present or future waste of resources; but the problem as to the disposition of the coal lands for present and future use can be wisely and safely settled in one session if Congress gives it careful attention.

(5) OIL AND GAS LANDS.

In the last administration there were withdrawn from agricultural entry 2,820,000 acres of supposed oil land in California; 1,451,520 acres in Louisiana, of which only 6,500 acres were known to be vacant unappropriated land; and 74,849 acres in Oregon, making a total of 4,346,369 acres. In September, 1909, I directed that all public oil lands, whether then withdrawn or not, should be withheld from disposition pending congressional action, for the reason that the existing placer mining law, although made applicable to deposits of this character, is not suitable to such lands, and for the further reason that it seemed desirable to reserve certain fuel-oil deposits for the use of the American navy. Accordingly the form of all existing withdrawals was changed, and new withdrawals aggregating 2,750,000 acres were made in Arizona, California, Colorado, New Mexico, Utah, and Wyoming. Field examinations during the year showed that of the original withdrawals 2,190,424 acres were not valuable for oil, and they were restored for agricultural entry. Meantime other withdrawals of public oil lands in these states were made, so that November 15, 1910, the outstanding withdrawals amounted to 4,654,000 acres.

The needed oil and gas law is essentially a leasing law. In their natural occurrence, oil and gas can not be measured in terms of acres, like coal, and it follows that exclusive title to these products can normally be secured only after they reach the surface. Oil should be disposed of as a commodity in terms of barrels of transportable product rather than in acres of real estate. This is, of course, the reason for the practically universal adoption of the leasing system wherever oil land is in private ownership. The Government thus would not be entering on an experiment, but simply putting into effect a plan successfully operated in private contracts. Why should not the Government as a landowner deal directly with the oil producer rather than through the intervention of a middleman to whom the Government gives title to the land?

The principal underlying feature of such legislation should be the exercise of beneficial control rather than the collection of revenue. As not only the largest owner of oil lands, but as a prospective large consumer of oil by reason of the increasing use of fuel oil by the navy, the Federal Government is directly concerned both in encouraging rational development and at the same time insuring the longest possible life to the oil supply. The royalty rates fixed by the Government should neither exceed nor fall below the current rates. But much more important than revenue is the enforcement of regulations to conserve the public interest so that the covenants of the lessees shall specifically safeguard oil fields against the penalties from careless drillings and of production in excess of transportation facilities or of market requirements.

One of the difficulties presented, especially in the California fields, is that the Southern Pacific Railroad owns every other section of land in the oil fields, and in those fields the oil seems to be in a common reservoir, or series of reservoirs, communicating through the oil sands, so that the excessive draining of oil at one well, or on the railroad territory generally, would exhaust the oil in the government land. Hence it is important that if the Government is to have its share of the oil it should begin the opening and development of wells on its own property.

In view of the joint ownership which the Government and the adjoining landowners like the Southern Pacific Railroad have in the oil reservoirs below the surface, it is a most interesting and intricate question, difficult of solution, but one which ought to address itself at once to the state lawmakers, how far the state legislature might impose appropriate restrictions to secure an equitable enjoyment of the common reservoir and to prevent waste and excessive drainage by the various owners having access to this reservoir.

It has been suggested, and I believe the suggestion to be a sound one, that permits be issued to a prospector for oil giving him the right to prospect for two years over a certain tract of government land for the discovery of oil, the right to be evidenced by a license for which he pays a small sum. When the oil is discovered, then he acquires title to a certain tract, much in the same way as he would acquire title under a mining law. Of course if the system of leasing is adopted, then he would be given the benefit of a lease upon terms like that above suggested. What has been said in respect to oil applies also to government gas lands.

Under the proposed oil legislation, especially where the government oil lands embrace an entire oil field, as in many cases, prospectors, operators, consumers, and the public can be benefited by the adoption of the leasing system. The prospector can be protected in the very expensive work that necessarily antedates discovery; the operator can be protected against impairment of the productiveness of the wells which he has leased by reason of control of drilling and pumping of other wells too closely adjacent, or by the prevention of improper methods as employed by careless, ignorant, or irresponsible operators in the same field which result in the admission of water to the oil sands; while of course the consumer will profit by whatever benefits the prospector or operator receives in reducing the first cost of the oil.

(6) PHOSPHATE LANDS.

Phosphorus is one of the three essentials to plant growth, the other elements being nitrogen and potash. Of these three, phosphorus is by all odds the scarcest element in nature. It is easily extracted in useful form from the phosphate rock, and the United States contains the greatest known deposits of this rock in the world. They are found in Wyoming, Utah, Idaho, and Florida, as well as in South Carolina, Georgia, and Tennessee. The government phosphate lands are confined to Wyoming, Utah, Idaho, and Florida. Prior to March 4, 1909, there were 4,446,298 acres withdrawn from agricultural entry on the ground that the land covered phosphate rock. Since that time, 2,369,776 acres of the land thus withdrawn were found not to contain phosphate in profitable quantities, while 1,678,000 acres were classified properly as phosphate lands. During this administration there have been withdrawn and classified 437,673 acres, so that to-day there are classified as phosphate-rock land 2,514,195 acres. This rock is most important in the composition of fertilizers to improve the soil, and as the future is certain to create an enormous demand throughout this country for fertilization, the value to the public of such deposits as these can hardly be exaggerated. Certainly with respect to these deposits a careful policy of conservation should be followed. Half of the phosphate of the rock that is mined in private fields in the United States is now exported. As our farming methods grow better the demand for the phosphate will become greater, and it must be arranged so that the supply shall equal the needs of the country. It is uncertain whether the placer or lode law applies to the government phosphate rock. There is, therefore, necessity for some definite and well-considered legislation on this subject, and in aid of such legislation all of the government lands known to contain valuable phosphate rock are now withdrawn from entry. A law that would provide a leasing system for the phosphate deposits, together with a provision for the separation of the surface and mineral rights, as is already provided for in the case of coal, would seem to meet the need of promoting the development of these deposits and their utilization in the agricultural lands of the West. If it is thought desirable to discourage the exportation of phosphate rock and the saving of it for our own lands, this purpose could be accomplished by conditions in the lease granted by the Government to its lessees. Of course, under the Constitution the Government could not tax and could not prohibit the exportation of phosphate, but as proprietor and owner of the lands in which the phosphate is deposited it could impose conditions upon the kind of sales, whether foreign or domestic, which the lessees might make of the phosphate mined.

The tonnage represented by the phosphate lands in government ownership is very great, but the lesson has been learned in the case of such lands that have passed into private ownership in South Carolina, Florida, and Tennessee that the phosphate deposits there are in no sense inexhaustible. Moreover, it is also well understand that in the process of mining phosphate, as it has been pursued, much of the lower grade of phosphate rock, which will eventually all be needed, has been wasted beyond recovery. Such wasteful methods can easily be prevented, so far as the government land is concerned, by conditions inserted in the leases.

(7) WATER-POWER SITES.

Prior to March 4, 1909, there had been, on the recommendation of the Reclamation Service, withdrawn from agricultural entry, because they were regarded as useful for power sites which ought not to be disposed of as agricultural lands, tracts amounting to about 4,000,000 acres. The withdrawals were hastily made and included a great deal of land that was not useful for power sites. They were intended to include the power sites on 29 rivers in 9 States. Since that time 3,475,442 acres of the original 4,000,000 have been restored to settlement because they do not contain power sites; and meantime there have been newly withdrawn 1,240,310 acres of vacant public land and 211,499 acres of entered public land, or a total of 1,451,809 acres. These withdrawals made from time to time cover all the power sites included in the first withdrawals, and many more, on 149 rivers and in 12 States. The disposition of these power sites involves one of the most difficult questions presented in carrying out practical conservation. The Forest Service, under a power found in the statute, has leased a number of these power sites in forest reserves by revocable leases, but no such power exists with respect to power sites that are not located within forest reserves, and the revocable system of leasing is, of course, not a satisfactory one for the purpose of inviting the capital needed to put in proper plants for the transmutation of power.

The statute of 1891 with its amendments permits the Secretary of the Interior to grant perpetual easements or rights of way from water sources over public lands for the primary purpose of irrigation and such electrical current as may be incidentally developed, but no grant can be made under this statute to concerns whose primary purpose is generating and handling electricity. The statute of 1901 authorizes the Secretary of the Interior to issue revocable permits over the public lands to electrical-power companies, but this statute is woefully inadequate because it does not authorize the collection of a charge or fix a term of years. Capital is slow to invest in an enterprise founded on a permit revocable at will.

The subject is one that calls for new legislation. It has been thought that there was danger of combination to obtain possession of all the power sites and to unite them under one control. Whatever the evidence of this, or lack of it, at present we have had enough experience to know that combination would be profitable, and the control of a great number of power sites would enable the holders or owners to raise the price of power at will within certain sections; and the temptations would promptly attract investors, and the danger of monopoly would not be a remote one.

However this may be, it is the plain duty of the Government to see to it that in the utilization and development of all this immense amount of water power, conditions shall be imposed that will prevent monopoly, and will prevent extortionate charges, which are the accompaniment of monopoly. The difficulty of adjusting the matter is accentuated by the relation of the power sites to the water, the fall and flow of which create the power. In the States where these sites are the riparian owner does not control or own the power in the water which flows past his land. That power is under the control and within the grant of the State, and generally the rule is that the first user is entitled to the enjoyment. Now, the possession of the bank or water-power site over which the water is to be conveyed in order to make the power useful, gives to its owner an advantage and a certain kind of control over the use of the water power, and it is proposed that the Government in dealing with its own lands should use this advantage and lease lands for power sites to those who would develop the power, and impose conditions on the leasehold with reference to the reasonableness of the rates at which the power, when transmuted, is to be furnished to the public, and forbidding the union of the particular power with a combination of others made for the purpose of monopoly by forbidding assignment of the lease save by consent of the Government. Serious difficulties are anticipated by some in such an attempt on the part of the General Government, because of the sovereign control of the State over the water power in its natural condition and the mere proprietorship of the Government in the riparian lands. It is contended that through its mere proprietary right in the site the Central Government has no power to attempt to exercise police jurisdiction with reference to how the water power in a river owned and controlled by the State shall be used, and that it is a violation of the State's rights. I question the validity of this objection. The Government may impose any conditions that it chooses in its lease of its own property, even though it may have the same purpose, and in effect accomplish just what the State would accomplish by the exercise of its sovereignty. There are those (and the Director of the Geological Survey, Mr. Smith, who has given a great deal of attention to this matter, is one of them) who insist that this matter of transmuting water power into electricity, which can be conveyed all over the country and across State lines, is a matter that ought to be retained by the General Government, and that it should avail itself of the ownership of these power sites for the very purpose of coordinating in one general plan the power generated from these government-owned sites.

On the other hand, it is contended that it would relieve a complicated situation if the control of the water-power site and the control of the water were vested in the same sovereignty and ownership, viz., the States, and then were disposed of for development to private lessees under the restrictions needed to preserve the interests of the public from the extortions and abuses of monopoly. Therefore, bills have been introduced in Congress providing that whenever the State authorities deem a water power useful they may apply to the Government of the United States for a grant to the State of the adjacent land for a water-power site, and that this grant from the Federal Government to the State shall contain a condition that the State shall never part with the title to the water-power site or the water power, but shall lease it only for a term of years not exceeding fifty, with provisions in the lease by which the rental and the rates for which the power is furnished to the public shall be readjusted at periods less than the term of the lease, say, every ten years. The argument is urged against this disposition of power sites that legislators and state authorities are more subject to corporate influence and control than would be the Central Government; in reply it is claimed that a readjustment of the terms of leasehold every ten years would secure to the public and the State just and equitable terms. Then it is said that the State authorities are better able to understand the local need and what is a fair adjustment in the particular locality than would be the authorities at Washington. It has been argued that after the Federal Government parts with title to a power site it can not control the action of the State in fulfilling the conditions of the deed, to which it is answered that in the grant from the Government there may be easily inserted a condition specifying the terms upon which the State may part with the temporary control of the water-power sites, and, indeed, the water power, and providing for a forfeiture of the title to the water-power sites in case the condition is not performed; and giving to the President, in case of such violation of conditions, the power to declare forfeiture and to direct proceedings to restore to the Central Government the ownership of the power sites with all the improvements thereon, and that these conditions could be promptly enforced and the land and plants forfeited to the General Government by suit of the United States against the State, which is permissible under the Constitution.

I do not express an opinion upon the controversy thus made or a preference as to the two methods of treating water-power sites. I submit the matter to Congress and urge that one or the other of the two plans be promptly adopted.

At the risk of wearying my audience I have attempted to state as succinctly as may be the questions of conservation as they apply to the public domain of the Government, the conditions to which they apply, and the proposed solution of them. In the outset I alluded to the fact that conservation had been made to include a great deal more than what I have discussed here. Of course, as I have referred only to the public domain of the Federal Government I have left untouched the wide field of conservation with respect to which a heavy responsibility rests upon the States and individuals as well. But I think it of the utmost importance that after the public attention has been roused to the necessity of a change in our general policy to prevent waste and a selfish appropriation to private and corporate purposes of what should be controlled for the public benefit, those who urge conservation shall feel the necessity of making clear how conservation can be practically carried out, and shall propose specific methods and legal provisions and regulations to remedy actual adverse conditions. I am bound to say that the time has come for a halt in general rhapsodies over conservation, making the word mean every known good in the world; for, after the public attention has been roused, such appeals are of doubtful utility and do not direct the public to the specific course that the people should take, or have their legislators take, in order to promote the cause of conservation. The rousing of emotions on a subject like this, which has only dim outlines in the minds of the people affected, after a while ceases to be useful, and the whole movement will, if promoted on these lines, die for want of practical direction and of demonstration to the people that practical reforms are intended.

I have referred to the course of the last administration and of the present one in making withdrawals of government lands from entry under homestead and other laws and of Congress in removing all doubt as to the validity of these withdrawals as a great step in the direction of practical conservation. But it is only one of two necessary steps to effect what should be our purpose. It has produced a status quo and prevented waste and irrevocable disposition of the lands until the method for their proper disposition can be formulated. But it is of the utmost importance that such withdrawals should not be regarded as the final step in the course of conservation, and that the idea should not be allowed to spread that conservation is the tying up of the natural resources of the Government for indefinite withholding from use and the remission to remote generations to decide what ought to be done with these means of promoting present general human comfort and progress. For, if so, it is certain to arouse the greatest opposition to conservation as a cause, and if it were the correct expression of the purpose of conservationists it ought to arouse such opposition. Real conservation involves wise, nonwasteful use in the present generation, with every possible means of preservation for succeeding generations; and though the problem to secure this end may be difficult, the burden is on the present generation promptly to solve it and not to run away from it as cowards, lest in the attempt to meet it we may make some mistake. As I have said elsewhere, the problem is how to save and how to utilize, how to conserve and still develop; for no sane person can contend that it is for the common good that nature's blessings should be stored only for unborn generations.

I beg of you, therefore, in your deliberations and in your informal discussion, when men come forward to suggest evils that the promotion of conservation is to remedy, that you invite them to point out the specific evils and the specific remedies; that you invite them to come down to details in order that their discussions may flow into channels that shall be useful rather than into periods that shall be eloquent and entertaining, without shedding real light on the subject. The people should be shown exactly what is needed in order that they make their representatives in Congress and the state legislature do their intelligent bidding.

THE WHITE HOUSE, *December 21, 1910.*

To the Senate and House of Representatives:

The constitutional convention recently held in the Territory of New Mexico has submitted for acceptance or rejection the draft of a constitution to be voted upon by the voters of the proposed new State, which contains a clause purporting to fix the boundary line between New Mexico and Texas which may reasonably be construed to be different from the boundary lines heretofore legally run, marked, established, and ratified by the United States and the State of Texas, and under which claims might be set up and litigation instigated of an unnecessary and improper character. A joint resolution has been introduced in the House of Representatives for the purpose of authorizing the President of the United States and the State of Texas to mark the boundary lines between the State of Texas and the Territory or proposed State of New Mexico, or to reestablish and re-mark the boundary line heretofore established and marked; and to enact that any provision of the proposed constitution of New Mexico that in any way tends to annul or change the boundary lines between Texas and New Mexico shall be of no force or effect. I recommend the adoption of such joint resolution.

The act of June 5, 1858 (vol. 11, U. S. Stats., 310), "authorizing the President of the United States in conjunction with the State of Texas, to run and mark the boundary lines between the Territories of the United States and the State of Texas," under which a survey was made in 1859-60 by one John H. Clark, and in the act of Congress approved March 3, 1891 (vol. 26, U. S. Stats., 971), "the boundary line between said public land strip and Texas, and between Texas and New Mexico, established under the act of June fifth, eighteen hundred and fifty-eight, is hereby confirmed," and a joint resolution was passed by the Legislature of Texas and became a law March 25, 1891, "confirming the location of the boundary line established by the United States commission between No Man's Land and Texas, and Texas and New Mexico under the act of Congress of June 5, 1858." (Laws of Texas, 1891, p. 193, Resolutions.)

The Committee on Indian Affairs, in its report of May 2, 1910 (No. 1250, 61st Cong., 2d sess.), recommended a joint resolution in the fourth section of which appears the following:

> *Provided*, That the part of a line run and marked by monument along the thirty-second parallel of north latitude, and that part of the line run and marked along the one hundred and third degree of longitude west of Greenwich, the same being the east and west and north and south lines between Texas and New Mexico, and run by authority of act of Congress approved June fifth, eighteen hundred and fifty-eight, and known as the Clark lines, and that part of the line along the parallel of thirty-six degrees and thirty minutes of north latitude, forming the north boundary line of the Panhandle of Texas, and which said parts of said lines have been confirmed by acts of Congress of March third, eighteen hundred and ninety-one, shall remain the true boundary lines of Texas and Oklahoma and the Territory of New Mexico: *Provided further*, That it shall be the duty of the commissioners appointed under this act to re-mark said old Clark monuments and lines where they can be found and identified.

The lines referred to in the paragraph above are the same as contained in the proposed joint resolution above referred to.

Under the act of Congress approved June 20, 1910, "An act to enable the people of New Mexico to form a constitution and State government and be admitted into the Union," etc. (vol. 36, U. S. Stats., 557), section 4 provides that when a constitution has been duly ratified by the people of New Mexico, a certified copy of the same shall be submitted to the President of the United States, and in section 5 it provides that after certain elections shall have been held and the result certified to the President of the United States, the President shall immediately issue his proclamation, upon which the proposed State of New Mexico shall be deemed admitted by Congress into the Union, by virtue of said act of June 20, 1910. The required acts have not taken place and therefore to all intents and purposes the proposed State of New Mexico is still a Territory and under the control of Congress.

As the boundary line between Texas and New Mexico is established under the act of June 5, 1858, and confirmed by Congress under the act of March 3, 1891, and ratified by the State of Texas, March 25, 1891, and as the Territory of New Mexico has not up to the present time fulfilled all the requirements under the act of June 20, 1910, for admission to the Union, there is no reason why the joint resolution should not be adopted as above provided, and I recommend the adoption of such resolution for the purpose of conferring indisputable authority upon the President in conjunction with the State of Texas to reestablish and re-mark a boundary already established and confirmed by Congress and the State of Texas.

WILLIAM H. TAFT.

THE WHITE HOUSE, *January 5, 1911.*

To the Senate and House of Representatives:

The act of Congress approved June 17, 1902 (32 Stats., 388), set apart as a fund for the reclamation of arid lands the moneys received from the sales of public lands in certain of the States and Territories, excepting the 5 per cent. of the proceeds of such sales theretofore set aside by law for educational and other purposes. The receipts into the reclamation fund to June 30, 1909, were $58,439,408.93, and the estimated total receipts to June 30, 1910, are $65,714,179.06. The total amount accumulated in the fund to date is estimated at $69,449,058.76, of which all but $6,241,058.76 has been allotted to the several projects. On June 30, 1910, the net investment in reclamation works amounted to $53,781,302.88, of which $52,945,441.03 had on June 30, 1910, been expended in the following primary projects:

State	*Project*	*Net Investment*
Arizona	Salt River	$8,430,959.16
Arizona-California	Colorado River	44,201.97
California	Orland	378,603.11
Arizona-California	Yuma	3,781,355.19
Colorado	Grand Valley	73,110.38
Colorado	Uncompahgre	4,106,639.04
Idaho	Boise	3,373,292.30
Idaho	Minidoka	2,900,896.56
Idaho	Snake River storage	69,142.75

State	*Project*	*Net Investment*
Kansas	Garden City	378,316.07
Montana	Huntley	854,420.36
Montana	Milk River	519,387.23
Montana	St. Mary	265,874.03
Montana	Sun River	599,958.59
Montana-North Dakota	Lower Yellowstone	2,888,899.93
Nebraska-Wyoming	North Platte	4,609,476.50
Nevada	Truckee-Carson	3,975,976.42
New Mexico	Carlsbad	617,665.56
New Mexico	Hondo	346,024.76
New Mexico	Leasburg	193,418.82
New Mexico-Texas	Rio Grande	76,060.58
North Dakota	Buford-Trenton	278,294.40
North Dakota	Williston	528,171.31
Oklahoma	Cimarron	8,873.17
Oregon	Central Oregon	40,133.44
Oregon	Umatilla	1,155,983.22
Oregon-California	Klamath	1,830,600.39
South Dakota	Bellefourche	2,313,525.22
Utah	Strawberry Valley	913,177.91
Washington	Okanogan	538,281.41
Washington	Yakima	3,116,333.48
Wyoming	Shoshone	3,378,387.87
Total		$52,945,441.03

In addition there had been invested in secondary projects June 30, 1910, $587,390.71; in town site development, $10,955.49; in Indian irrigation, $198,704.21, and for general expenses, $38,811.44.

The reclamation act requires the return to the reclamation fund of the estimated cost of construction, and therefore entrymen and private land owners receiving water from such projects are required to contribute their proportion of the cost of construction, operation and maintenance of the projects wherein their lands are located. The total cash returns to the reclamation fund from water right building charges to June 30, 1910, were $902,822.25, and from water right operation and maintenance charges, $249,637.19. In addition there was to June 30, 1910, an additional revenue of $2,086,173.73 derived from sales of town lots, sales of water, leases of power, &c., which are under the law credited as a reduction of the cost of the project from which the receipts are derived. On June 30, 1910, the Government was prepared to supply water in reclamation projects to 876,684 acres of land, and the area of lands included in the projects now under construction amounts to over 3,100,000 acres. No new projects have been undertaken since March 4, 1909, the efforts of the Government having been directed toward the completion of the thirty primary projects theretofore undertaken.

The additions to the reclamation fund from the sales of public land, while approximating between six and seven million dollars per annum since 1902, were found to be insufficient for the completion of existing projects with such expedition as the necessities of the settlers and landowners within the projects undertaken seemed to require. I accordingly recommended the issuance of certificates of indebtedness or bonds against the reclamation fund. The act of June 25, 1910 (36 Stats., 835), which authorized the issuance of not exceeding $20,000,000 of certificates of indebtedness repayable out of the reclamation fund, made the appropriation subject to the conditions that it should be expended upon existing projects and their necessary extensions, and that no part of the same should be expended until after the projects had been examined and reported upon by a board of army engineer officers of the United States Army and approved by me as feasible, practicable and worthy. The board of engineers selected spent the summer in field examinations of the projects, and has submitted to me its report upon each of the projects, heretofore undertaken, together with recommendations as to the allotment of the proceeds of the certificates authorized to be issued. In addition, pursuant to my request the board has submitted its recommendations for the allotment of that part of the reclamation fund derived from the sales of public lands to supplement the $20,000,000 loan and to carry on worthy projects not participating in the distribution of the loan.

The report of the board is based not only upon its field examination of the various projects but upon information derived from personal conference with the field officers and employees of the reclamation service and data furnished by such officers and employees. In addition settlers, landowners and other parties interested in the projects were given an opportunity to be heard. The feasibility of the projects was considered from an engineering and economic standpoint, the board giving consideration to the character of the projects, whether international, interstate or intrastate, the relative amounts of public and private lands capable of irrigation, the money already expended, the necessity of completion of the projects in order to secure its return, the existing contracts or agreements with water users' associations and private individuals and the protection of water rights. The board also points out the importance of certain additional legislation authorizing the sale of surplus stored water and the modification of conditions of payments for water rights on certain projects which will otherwise fail of returning their cost to the reclamation fund. The Secretary of the Interior in his annual report to me has recommended similar legislation.

The board recommended the allotment of the $20,000,000 provided by the act of June 25, 1910, to the following named projects:

Salt River, Arizona	$495,000
Yuma, Arizona and California	1,200,000
Grand Valley, Colorado	1,000,000
Uncompahgre, Colorado	1,500,000
Payette-Boise, Idaho	2,000,000
Milk River, Montana	1,000,000
North Platte, Wyoming and Nebraska	2,000,000
Truckee-Carson, Nevada	1,193,000
Rio Grande, New Mexico, Texas and Mexico	4,500,000
Umatilla, Oregon	325,000
Klamath, Oregon and California	600,000
Strawberry Valley, Utah	2,272,000
Sunnyside, Yakima, Washington	1,250,000
Tieton, Yakima, Washington	665,000
Total	$20,000,000

and that the interest on the loan as provided by said act be charged against the projects on the amounts contributed for their completion.

The recommendation of the board for the tentative allotment of the general reclamation fund among the various projects for the years 1911 to 1914 inclusive was as follows:

Yuma	$2,380,462
Grand Valley	500,000*
Uncompahgre	2,045,000
Minidoka	528,000
Payette-Boise	4,585,435
Huntley	110,000
Milk River	2,950,000
Sun River	3,278,000
Lower Yellowstone	578,000*
North Platte	2,185,000
Truckee-Carson	1,594,000
Rio Grande	1,855,000
Missouri Pumping	270,000*
Belle Fourche	480,000
Okanogan	13,000
Shoshone	2,000,000
Total	$25,351,897

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* Conditional.

No allotments either from the loan or from the general reclamation fund were recommended for the following projects, except for necessary maintenance and operation:

Orland, Cal.; Garden City, Kan.; Kittitas, Wapato and Benton, Yakima project, Wash.; Carlsbad, N. M., and Hondo, N. M.

The last named projects are, with the exception of the Kittitas, Wapato and Benton units of the Yakima project, completed or nearly completed. With respect to the said three units of the Yakima project, the board recommended development of a general system of storage reservoirs for the Yakima Valley, provided Congress authorizes the sale of excess stored water, so that the return of the cost of building of reservoirs may be secured, but did not recommend any allotment of funds for the construction of reservoirs or canals specifically for the said units.

After careful consideration of the report of the board of engineers I approved the same, believing that it sets forth a plan for the distribution of the loan and of the available reclamation fund that from an engineering and economic standpoint will best secure the speedy completion of those projects which, because of their character, the needs of the settlers, treaty or interstate relations, protection of water rights and prompt return to the reclamation fund of the moneys invested should be given the preference in construction and completion over such projects, or parts of projects, which are more remote and may properly wait until a later date for construction or may secure water through private canals, in the event the Government is authorized to dispose of surplus water to the owners of such canals. My approval, however, is subject to the condition that the amounts allotted to the various projects may be adjusted and modified from time to time as is found necessary for the intelligent and proper prosecution of the work and the advantage of the service. I have authorized the Secretary of the Interior to call upon the Secretary of the Treasury from time to time, as the same are needed, for the funds provided for by the act of June 25, 1910, in accordance with the allotments recommended by the board and approved by me.

Pursuant to the recommendations of the Secretary of the Interior and of the board of army engineers I earnestly recommend the enactment of a law which will permit of the disposition of any surplus stored water available from reclamation projects to persons, associations or corporations operating systems for the delivery of water to individual water users for the irrigation of arid lands, and the enactment of legislation which will give executive authority for the modification of conditions of payment for water rights on certain of the projects where, by reason of local conditions, the return of the cost of the projects to the reclamation fund will not be secured unless settlers are permitted to make payments on terms or conditions other than those specified in the public notices heretofore issued. In this connection attention is directed to the provisions of Senate bill 6842 now pending. Attention is also directed to the other legislation pertaining to reclamation projects recommended by the Secretary of the Interior, which legislation would aid in the administration of the reclamation projects.

With the funds now at our disposal and the enactment of the additional legislation suggested it is hoped that the work upon the several projects for which allotments have been made may proceed to an early completion and that the settlers and water users upon the projects upon being furnished with water for the irrigation of their lands may be enabled to return to the Treasury the sums expended in the construction of the projects. In accordance with the requirements of section 2 of the reclamation act the Secretary of the Interior has already transmitted to Congress the ninth annual report of the Reclamation Service, and in order that Congress may be placed in possession of all the information at hand to date with reference to the reclamation projects and the estimated cost of their completion I transmit herewith for its further information a copy of the said report of the Board of Army Engineers.

WILLIAM H. TAFT.

SPECIAL MESSAGE ON CANADIAN RECIPROCITY.

THE WHITE HOUSE, January 26, 1911.

To the Senate and House of Representatives:

In my annual message of December 6, 1910, I stated that the policy of broader and closer trade relations with the Dominion of Canada, which was initiated in the adjustment of the maximum and minimum provisions of the tariff act of August 5, 1909, had proved mutually beneficial and that it justified further efforts for the readjustment of the commercial relations of the two countries. I also informed you that, by my direction, the Secretary of State had dispatched two representatives of the Department of State as special commissioners to Ottawa to confer with representatives of the Dominion Government, that they were authorized to take steps to formulate a reciprocal trade agreement, and that the Ottawa conferences thus begun, had been adjourned to be resumed in Washington.

On the 7th of the present month two cabinet ministers came to Washington as representatives of the Dominion Government, and the conferences were continued between them and the Secretary of State. The result of the negotiations was that on the 21st instant a reciprocal trade agreement was reached, the text of which is herewith transmitted with accompanying correspondence and other data.

One by one the controversies resulting from the uncertainties which attended the partition of British territory on the American Continent at the close of the Revolution, and which were inevitable under the then conditions, have been eliminated—some by arbitration and some by direct negotiation. The merits of these disputes, many of them extending through a century, need not now be reviewed. They related to the settlement of boundaries, the definition of rights of navigation, the interpretation of treaties, and many other subjects.

Through the friendly sentiments, the energetic efforts, and the broadly patriotic views of successive administrations, and especially of that of my immediate predecessor, all these questions have been settled. The most acute related to the Atlantic fisheries, and this long-standing controversy, after amicable negotiation, was referred to The Hague Tribunal. The judgment of that august international court has been accepted by the people of both countries and a satisfactory agreement in pursuance of the judgment has ended completely the controversy. An equitable arrangement has recently been reached between our Interstate Commerce Commission and the similar body in Canada in regard to through rates on the transportation lines between the two countries.

The path having been thus opened for the improvement of commercial relations, a reciprocal trade agreement is the logical sequence of all that has been accomplished in disposing of matters of a diplomatic and controversial character. The identity of interest of two peoples linked together by race, language, political institutions, and geographical proximity offers the foundation. The contribution to the industrial advancement of our own country by the migration across the boundary of the thrifty and industrious Canadians of English, Scotch, and French origin is now repaid by the movement of large numbers of our own sturdy farmers to the northwest of Canada, thus giving their labor, their means, and their experience to the development of that section, with its agricultural possibilities.

The guiding motive in seeking adjustment of trade relations between two countries so situated geographically should be to give play to productive forces as far as practicable, regardless of political boundaries. While equivalency should be sought in an arrangement of this character, an exact balance of financial gain is neither imperative nor attainable. No yardstick can measure the benefits to the two peoples of this freer commercial intercourse and no trade agreement should be judged wholly by custom house statistics.

We have reached a stage in our own development that calls for a statesmanlike and broad view of our future economic status and its requirements. We have drawn upon our natural resources in such a way as to invite attention to their necessary limit. This has properly aroused effort to conserve them, to avoid their waste, and to restrict their use to our necessities. We have so increased in population and in our consumption of food products and the other necessities of life, hitherto supplied largely from our own country, that unless we materially increase our production we can see before us a change in our economic position, from that of a country selling to the world food and natural products of the farm and forest, to one consuming and importing them. Excluding cotton, which is exceptional, a radical change is already shown in our exports in the falling off in the amount of our agricultural products sold abroad and a corresponding marked increase in our manufactures exported. A farsighted policy requires that if we can enlarge our supply of natural resources, and especially of food products and the necessities of life, without substantial injury to any of our producing and manufacturing classes, we should take steps to do so now. We have on the north of us a country contiguous to ours for three thousand miles, with natural resources of the same character as ours which have not been drawn upon as ours have been, and in the development of which the conditions as to wages and character of the wage earner and transportation to market differ but little from those prevailing with us. The difference is not greater than it is between different States of our own country or between different Provinces of the Dominion of Canada. Ought we not, then, to arrange a commercial agreement with Canada, if we can, by which we shall have direct access to her great supply of natural products without an obstructing or prohibitory tariff? This is not a violation of the protective principle, as that has been authoritatively announced by those who uphold it, because that principle does not call for a tariff between this country and one whose conditions as to production, population, and wages are so like ours, and when our common boundary line of three thousand miles in itself must make a radical distinction between our commercial treatment of Canada and of any other country.

The Dominion has greatly prospered. It has an active, aggressive, and intelligent people. They are coming to the parting of the ways. They must soon decide whether they are to regard themselves as isolated permanently from our markets by a perpetual wall or whether we are to be commercial friends. If we give them reason to take the former view, can we complain if they adopt methods denying access to certain of their natural resources except upon conditions quite unfavorable to us? A notable instance of such a possibility may be seen in the conditions surrounding the supply of pulp wood and the manufacture of print paper, for which we have made a conditional provision in the agreement, believed to be equitable. Should we not now, therefore, before their policy has become too crystallized and fixed for change, meet them in a spirit of real concession, facilitate commerce between the two countries, and thus greatly increase the natural resources available to our people?

I do not wish to hold out the prospect that the unrestricted interchange of food products will greatly and at once reduce their cost to the people of this country. Moreover, the present small amount of Canadian surplus for export as compared with that of our own production and consumption would make the reduction gradual. Excluding the element of transportation, the price of staple food products, especially of cereals, is much the same the world over, and the recent increase in price has been the result of a world-wide cause. But a source of supply as near as Canada would certainly help to prevent speculative fluctuations, would steady local price movements, and would postpone the effect of a further world increase in the price of leading commodities entering into the cost of living, if that be inevitable.

In the reciprocal trade agreement numerous additions are made to the free list. These include not only food commodities, such as cattle, fish, wheat and other grains, fresh vegetables, fruits, and dairy products, but also rough lumber and raw materials useful to our own industries. Free lumber we ought to have. By giving our people access to Canadian forests we shall reduce the consumption of our own, which, in the hands of comparatively few owners, now have a value that requires the enlargement of our available timber resources.

Natural, and especially food, products being placed on the free list, the logical development of a policy of reciprocity in rates on secondary food products, or foodstuffs partly manufactured, is, where they cannot also be entirely exempted from duty, to lower the duties in accord with the exemption of the raw material from duty. This has been followed in the trade agreement which has been negotiated. As an example, wheat is made free and the rate on flour is equalized on a lower basis. In the same way, live animals being made free, the duties on fresh meats and on secondary meat products and on canned meats are substantially lowered. Fresh fruits and vegetables being placed on the free list, the duties on canned goods of these classes are reduced.

Both countries in their industrial development have to meet the competition of lower priced labor in other parts of the world. Both follow the policy of encouraging the development of home industries by protective duties within reasonable limits. This has made it difficult to extend the principle of reciprocal rates to many manufactured commodities, but after much negotiation and effort we have succeeded in doing so in various and important instances.

The benefit to our widespread agricultural implement industry from the reduction of Canadian duties in the agreement is clear. Similarly the new, widely distributed and expanding motor vehicle industry of the United States is given access to the Dominion market on advantageous terms.

My purpose in making a reciprocal trade agreement with Canada has been not only to obtain one which would be mutually advantageous to both countries, but one which also would be truly national in its scope as applied to our own country and would be of benefit to all sections. The currents of business and the transportation facilities that will be established forward and back across the border cannot but inure to the benefit of the boundary States. Some readjustments may be needed, but in a very short period the advantage of the free commercial exchange between communities separated only by short distances will strikingly manifest itself. That the broadening of the sources of food supplies, that the opening of the timber resources of the Dominion to our needs, that the addition to the supply of raw materials, will be limited to no particular section does not require demonstration. The same observation applies to the markets which the Dominion offers us in exchange. As an illustration, it has been found possible to obtain free entry into Canada for fresh fruits and vegetables—a matter of special value to the South and to the Pacific coast in disposing of their products in their season. It also has been practicable to obtain free entry for the cottonseed oil of the South—a most important product with a rapidly expanding consumption in the Dominion.

The entire foreign trade of Canada in the last fiscal year, 1910, was $655,000,000. The imports were $376,000,000, and of this amount the United States contributed more than $223,000,000. The reduction in the duties imposed by Canada will largely increase this amount and give us even a larger share of her market than we now enjoy, great as that is.

The data accompanying the text of the trade agreement exhibit in detail the facts which are here set forth briefly and in outline only. They furnish full information on which the legislation recommended may be based. Action on the agreement submitted will not interfere with such revision of our own tariff on imports from all countries as Congress may decide to adopt.

Reciprocity with Canada must necessarily be chiefly confined in its effect on the cost of living to food and forest products. The question of the cost of clothing as affected by duty on textiles and their raw materials, so much mooted, is not within the scope of an agreement with Canada, because she raises comparatively few wool sheep, and her textile manufactures are unimportant.

This trade agreement, if entered into, will cement the friendly relations with the Dominion which have resulted from the satisfactory settlement of the controversies that have lasted for a century, and further promote good feeling between kindred peoples. It will extend the market for numerous products of the United States among the inhabitants of a prosperous neighboring country with an increasing population and an increasing purchasing power. It will deepen and widen the sources of food supply in contiguous territory, and will facilitate the movement and distribution of these foodstuffs.

The geographical proximity, the closer relation of blood, common sympathies, and identical moral and social ideas furnish very real and striking reasons why this agreement ought to be viewed from a high plane.

Since becoming a nation, Canada has been our good neighbor, immediately contiguous across a wide continent without artificial or natural barrier except navigable waters used in common.

She has cost us nothing in the way of preparations for defense against her possible assault, and she never will. She has sought to agree with us quickly when differences have disturbed our relations. She shares with us common traditions and aspirations. I feel I have correctly interpreted the wish of the American people by expressing, in the arrangement now submitted to Congress for its approval, their desire for a more intimate and cordial relationship with Canada. I therefore earnestly hope that the measure will be promptly enacted into law.

WILLIAM H. TAFT.

PROCLAMATION OF MARCH 4, 1911.

[Convening extra session of Congress on April 4, 1911, to consider the Canadian-American reciprocal tariff agreement.]

WHEREAS, by the special message dated January 26, 1911, there was transmitted to the Senate, and the House of Representatives an agreement between the Department of State and the Canadian Government in regard to reciprocal tariff legislation, together with an earnest recommendation that the necessary legislation be promptly adopted; and

WHEREAS, a bill to carry into effect said agreement has passed the House of Representatives, but has failed to reach a vote in the Senate; and

WHEREAS, the agreement stipulates not only that "the President of the United States will communicate to Congress the conclusions now reached and recommend the adoption of such legislation as may be necessary on the part of the United States to give effect to the proposed arrangement," but also that "the Governments of the two countries will use their utmost efforts to bring about such changes by concurrent legislation at Washington and at Ottawa":

NOW, THEREFORE, I, William Howard Taft, President of the United States of America, by virtue of the power vested in me by the Constitution, do hereby proclaim and declare that an extraordinary occasion requires the convening of both Houses of the Congress of the United States at their respective chambers in the city of Washington on the 4th day of April, 1911, at 12 o'clock noon, to the end that they may consider and determine whether the Congress shall, by the necessary legislation, make operative the agreement.

All persons entitled to act as Members of the Sixty-second Congress are required to take notice of this proclamation.

Given under my hand and the seal of the United States at Washington the 4th day of March, A.D. 1911, and of the independence of the United States the one hundred and thirty-fifth.

[SEAL.]

WILLIAM H. TAFT.

By the President:

P. C. KNOX, *Secretary of State.*

SPECIAL MESSAGE.

[Directing attention of Congress to the reciprocal tariff agreement between the Dominion of Canada and the United States.]

THE WHITE HOUSE, *April 5, 1911.*

To the Senate and House of Representatives:

I transmitted to the Sixty-first Congress on January 26th last the text of the reciprocal trade agreement which had been negotiated, under my direction, by the Secretary of State with the representatives of the Dominion of Canada. This agreement was the consummation of earnest efforts, extending over a period of nearly a year, on the part of both governments to effect a trade arrangement which, supplementing as it did the amicable settlement of various questions of a diplomatic and political character that had been reached, would mutually promote commerce and would strengthen the friendly relations now existing.

The agreement in its intent and in its terms was purely economic and commercial. While the general subject was under discussion by the commissioners, I felt assured that the sentiment of the people of the United States was such that they would welcome a measure which would result in the increase of trade on both sides of the boundary line, would open up the reserve productive resources of Canada to the great mass of our own consumers on advantageous conditions, and at the same time offer a broader outlet for the excess products of our farms and many of our industries. Details regarding a negotiation of this kind necessarily could not be made public while the conferences were pending. When, however, the full text of the agreement, with the accompanying correspondence and data explaining both its purpose and its scope, became known to the people through the message transmitted to Congress, it was immediately apparent that the ripened fruits of the careful labors of the commissioners met with widespread approval. This approval has been strengthened by further consideration of the terms of the agreement in all their particulars. The volume of support which has developed shows that its broadly national scope is fully appreciated and is responsive to the popular will.

The House of Representatives of the Sixty-first Congress, after the full text of the arrangement with all the details in regard to the different provisions had been before it, as they were before the American people, passed a bill confirming the agreement as negotiated and as transmitted to Congress. This measure failed of action in the Senate.

In my transmitting message of the 26th of January I fully set forth the character of the agreement and emphasized its appropriateness and necessity as a response to the mutual needs of the people of the two countries as well as its common advantages. I now lay that message, and the reciprocal trade agreement as integrally part of the present message, before the Sixty-second Congress and again invite earnest attention to the considerations therein expressed.

I am constrained, in deference to popular sentiment and with a realizing sense of my duty to the great masses of our people whose welfare is involved, to urge upon your consideration early action on this agreement. In concluding the negotiations, the representatives of the two countries bound themselves to use their utmost efforts to bring about the tariff changes provided for in the agreement by concurrent legislation at Washington and Ottawa. I have felt it my duty, therefore, not to acquiesce in relegation of action until the opening of the Congress in December, but to use my constitutional prerogative and convoke the Sixty-second Congress in extra session in order that there shall be no break of continuity in considering and acting upon this most important subject.

WILLIAM H. TAFT.

SPEECH OF PRESIDENT TAFT

ON THE

RECIPROCAL TARIFF AGREEMENT WITH CANADA

Delivered in New York, on April 27, 1911

The treaty provides for free trade in all agricultural products, and in rough lumber down to the point of planing. It reduces the duties on secondary food products by a very substantial percentage, and it makes such reductions on a number of manufactured articles that those engaged in making them have assured us that the reductions will substantially increase the already large Canadian demand for them.

We tendered to the Canadian commissioners absolutely free trade in all products of either country, manufactured or natural, but the Canadian commissioners did not feel justified in going so far. It is only reasonable to infer, therefore, that with respect to those articles upon which they refused free trade to us they felt that the profitable price at which they could be sold by our manufacturers in Canada was less than the price at which their manufacturers could afford to sell the same either to their own people or to us. Hence it follows that their refusal to agree to free trade in these articles, as we proposed, is the strongest kind of evidence that if we should take off the existing duty from such articles coming into the United States it would not affect in the slightest degree the price at which those articles could be furnished to the public here. In other words, the proposition to put on the free list for entrance into the United States all articles that Canada has declined to make free in both countries would not lower the price to the consumer here. Thus the reason why meats were not put on the free list in this Canadian agreement was because Canada felt that the competition of our packers would injuriously affect the products of their packing houses. If that be true, how would it help our consumer or lower the price of meat in our markets if we let their meat in free while they retained a duty on our meat?

The same thing is true of flour. They would not consent to free trade in flour, because they knew that our flour mills could undersell their millers. If that were so, then how much competition and lowering of the price of flour could we expect from putting Canadian flour on the free list?

And yet gentlemen insist that the farmer has been unjustly treated because we have not put Canadian flour and meat on the free list. And it is proposed to satisfy the supposed grievance of the farmers by now doing so, without any compensating concession from Canada. This proposal would be legislation passed for political-platform uses, without accomplishing any real good.

In another aspect, however, the effect of the proposal might be serious. Of course a mere reduction of our tariff, or the putting of any article on our free list, without insisting on a corresponding change in the Canadian tariff, will not interfere with the contract as made with Canada. Canada cannot object to our giving her greater tariff concessions than we have agreed to give her under the contract. But if we do make such concessions, without any consideration on the part of Canada, without any *quid pro quo,* so to speak, after the contract has been tentatively agreed upon by those authorized to make contracts for ratification in both governments, then we are in danger of creating an obligation against us in favor of all other foreign countries with whom we have existing treaties containing what is called the "favored-nation" clause. By this clause we agree to give the same commercial privileges to the country with whom we have made the treaty as we give to any other nation. This clause has been construed by our statesmen not to involve us in an obligation to extend a privilege to all nations which we confer upon one nation in consideration of an equally valuable privilege received from that one nation. In other words, it has been held not to include special bargains or contracts where there is a consideration moving to each side for the obligation of the other.

But the serious question that would arise is whether if, now that the contract has been tentatively agreed upon and is about to be confirmed by Canada, we should grant to Canada more than the contract requires, we could claim that this extra concession was not a pure gratuity and one which was necessarily extended to all other nations under the "favored-nation" clause. There are two objections, therefore, to inserting in the bill confirming this Canadian contract additions to our free list from Canada. The first is that they are a concession that is of no value to those whom it is proposed to propitiate by adopting it, and the second is that it may involve us indirectly in a doubtful obligation in respect to trade with other countries. If we desire to put meat and flour and other commodities on the free list for the entire world, that is one thing; we can do it with our eyes open and with a knowledge of what it entails after an investigation, but to put such a provision in a Canadian treaty and then have it operate as a free list for the entire world is legislation necessarily ill considered.

More than this, those proposed gratuitous concessions are in the nature of an admission that in some way or other we have done an injury to a particular class by this Canadian reciprocity agreement. I deny it. It is said that it injures the farmers. I deny it. It is strictly in accordance with the protective principle that we should only have a protective tariff between us and countries in which the conditions are so dissimilar as to make a difference in the cost of production. Now, it is known of all men that the general conditions that prevail in Canada are the same as those which obtain in the United States in the matter of agricultural products. Indeed, if there is any advantage, the advantage is largely on the side of the United States, because we have much greater variety of products, in view of the varieties of our climate, than they can have in Canada.

We raise cotton as no other country does. Of course they raise none in Canada.

We raise corn, and hogs and cattle fed on corn, and with the exception of a very small part of the acreage of Canada, in Ontario, it is not possible to raise corn at all in the Dominion.

With respect to wheat and barley and oats, conditions differ in different parts of Canada and in different parts of the United States. Classing them together, and on the whole, the conditions are substantially the same. In prices of farm land the differences are no greater between Canada and the United States than between the different states in the United States. In the matter of farm wages, they differ in different parts of Canada as they do in the United States; but, on the whole, they are about the same—higher in Canada at some places than in the United States and less at others. But there is no pauper class of labor in either country, and the only difference between the two countries is that Canada is farther north than the United States, a difference which, as already said, gives the advantage agriculturally to our side of the border.

It is said that this is an agreement that affects agricultural products more than manufactures. That is true; but if we are to have an interchange of products between the two countries of any substantial amount the chief part of it must necessarily be in agricultural products. As it is we export to Canada more agricultural products than we receive from her, and so it will be afterwards. The effect is not going to lower, in my judgment, the specific prices of agricultural products in our country. It is going to steady them; it is going to reduce the rapid fluctuations, and it is going to produce an interchange of products at a profit which will be beneficial to both countries.

If objection can be made to the treaty on the ground that a particular class derive less benefit from it than other classes, then it is the manufacturer of the country who ought to object, because the treaty, in its nature, will not enlarge his market as much as it will that of the farmer.

I am quite aware that, from one motive or another, a great deal of effort and money have been spent in sending circulars to farmers to convince them that this Canadian treaty, if adopted, will do them injury. I do not know that it is possible to allay such fears by argument, pending the consideration of the treaty by the Senate. It usually takes a considerable time by argument to clarify erroneous economic views of this kind having no foundation in fact, but only in fear, stimulated by misrepresentation and exaggeration. But there is one way —and that a conclusive way—of demonstrating the fallacy and unfounded character of their fears to the farmers, or any other class that believes itself to be unjustly affected by this treaty, and that is to try it on. There is no obligation on either nation to continue the reciprocity arrangement any longer than it desires, and if it be found by actual practice that there is an injury, and a permanent injury, to the farmers of this country, everybody knows that they can sufficiently control legislation to bring about a change and a return to the old conditions. Those of us who are responsible for the Canadian treaty are willing and anxious to subject it to that kind of a test, and we have no doubt that when it is put in operation the ghosts which have been exhibited to frighten the agricultural classes will be laid forever.

Another and a very conclusive reason for closing the contract is the opportunity which it gives us to increase the supply of our natural resources which, with the wastefulness of children, we have wantonly exhausted. The timber resources of Canada, which will open themselves to us inevitably under the operation of this agreement, are now apparently inexhaustible. I say "apparently inexhaustible," for if the same procedure were to be adopted in respect to them that we have followed in respect to our own forests I presume that they, too, might be exhausted. But fortunately for Canada and for us we and they have learned much more than we realized two decades ago with respect to the necessity for proper methods of forestry and of lumber cutting. Hence, we may be safe in saying that under proper modern methods the timber resources open to us in Canada may be made inexhaustible and we may derive ample supplies of timber from Canadian sources, to the profit of Canada and for our own benefit.

There are other natural resources, which I need not stop to enumerate, that will become available to us as if our own if we adopt and maintain commercial union with Canada; and this is one of the chief reasons that ought to commend the Canadian agreement to the farseeing statesmanship of leaders of American public opinion.

But there are other, even broader, grounds than this that should lead to the adoption of the agreement. Canada's superficial area is greater than that of the United States between the oceans. Of course it has a good deal of waste land in the far north, but it has enormous tracts of unoccupied land, or land settled so sparsely as to be substantially unoccupied, which in the next two or three decades will rapidly acquire a substantial and valuable population. The Government is one entirely controlled by the people, and the bond uniting the Dominion with the mother country is light and almost imperceptible. There are no restrictions upon the trade or economic development of Canada which will interfere in the slightest with her carving out her independent future. The attitude of the people is that of affection toward the mother country, and of a sentimental loyalty toward her royal head. But for practical purposes the control exercised from England by Executive or Parliament is imponderable.

Canada has now between seven and eight millions of people. They are a hardy, temperate, persistent race, brave, intelligent, and enterprising, sharing or inheriting the good qualities of all their ancestors, and with a national pride in their Dominion that grows with the wonderful success and prosperity that have attended them in the last three decades. They are good neighbors; we could not have better neighbors. It is more than a hundred years since a hostile shot was fired across the border, and they are like us because our conditions are similar and because our traditions are similar.

They are more restrictive in their immigration laws than we, and perhaps they grow less rapidly; but they have before them a wonderful expansion in population, in agriculture, and in business, and they offer to any nation with whom they have sympathetic relations, and with whom it is profitable for them to deal, a constantly increasing market and an ever-expanding trade.

The question which we now have to answer is whether we propose to maintain an artificial wall across the country of 3,700 miles in length and of indefinite height to prevent the natural trade that would flow between two great nations of people of the same language, of similar character, tradition, business habits, and moral aspirations, when the removal of that wall would furnish to each country the economic advantage of its corresponding enlargement of prosperous population and territory without the added responsibility of government and political control.

The theory that trade is not profitable to one party unless it is done at a loss to the other party is at the bottom of a great deal of the economic fallacies of the past and the present. Trade is mutually beneficial. It is profitable to both parties, for if it is not it cannot and ought not continue. As between Canada and the United States, the trade and the mutual benefit from the trade will increase.

It is amusing—and I am not sure that it has not some elements of consolation in it—to find that all the buncombe and all of the exaggeration and misrepresentation in politics and all of the political ghosts are not confined to our own country, and that there has entered into the discussion in Canada, as a reason for defeating the adoption of this contract by the Canadian Parliament, a fear that we desire to annex the Dominion; and the dreams of Americans with irresponsible imaginations, who like to talk of the starry flag's floating from Panama to the Pole, are exhibited by the opponents of the Canadian treaty in Canada as the declaration of a real policy by this country and as an announcement of our purpose to push political control over our neighbor of the North.

I am not an anti-imperialist, but I have had considerable experience in the countries over which we have assumed temporary control. I do not know when that control will end, but I do know that in respect to those countries we have taken over heavy duties and obligations, the weight of which ought to destroy any temptation to further acquisition of territory.

It would be invidious to institute a comparison between the Government of Canada and this country, but there is one part of our jurisdiction and that of Canada that come together sufficiently close to enable the Canadians and ourselves to realize that the sample of government that we exhibit is not alluring. I refer to the control of Alaska as compared with the control by Canada of her northwest territory. The talk of annexation is bosh. Everyone who knows anything about it realizes that it is bosh. Canada is a great, strong youth, anxious to test his muscles, rejoicing in the race he is ready to run. The United States has all it can attend to with the territory it is now governing, and to make the possibility of the annexation of Canada to the United States a basis for objection to any steps toward their greater economic and commercial union should be treated as one of the jokes of the platform, and should not enter into the consideration of serious men engaged in solving a serious problem.

Why should we not have a closer union with Canada? Think of the absurdity of separating Manitoba and Minneapolis by as great a distance as Manitoba and Liverpool when certainly Providence intended that their separation, socially and commercially, should only be that of their geographical distance. Canadians have furnished us a large number of our best citizens. We are giving them a large number of the pick of our young farmers. Let us open the gateways between us. Let us give to both countries the profit of the trade that God intended between us. Let the political governments remain as they are. Let us abolish arbitrary and artificial obstructions to our association with our friends upon the North and derive the mutual profit that it will certainly bring.

The Canadian contract has passed the House substantially as adopted and in such form that, if adopted in the same way by the Senate, it will go into effect as soon as the bill now pending in the Canadian Parliament shall be passed by that Parliament.

I desire to express my high appreciation of the manner in which the present House of Representatives have treated the reciprocity agreement. It has not "played politics." It has taken the statesmanlike course in respect to it.

I am very hopeful that the Senate will treat the agreement in the same way and that no amendments will there be added to the bill. For the reasons given, I think they are dangerous. It is not for me to question the good faith of those who propose to introduce and adopt them, but it is appropriate to say that the use of amendments is a very common method of defeating legislation when the responsibility for its defeat is one that the movers of such amendments do not desire openly to assume.

It may be that the Canadian contract does not go far enough. In making it we were limited by the reluctance of Canada to go as far as we would wish to have her go, but the fact that it does not go far enough is the poorest reason for not going as far as we can. We were making a contract, we were balancing considerations; we were not making a general tariff law or a general tariff revision. It was no part of our duty to reduce the tariff generally in this contract with other countries. If that is to be done, and if there is a sincere desire to have it done, then it ought to be done by separate legislation, and the passage of the present agreement, which I regard as epoch making in the commercial relations between the two countries, should not be endangered by making its passage conditioned on the passage of tariff revision or other legislation having no real relevancy to the contract.

I appeal to this company, representing as it does the press of the United States, to see to it that it is made clear to the public that this contract ought to stand or fall by its own terms, and that its passage or defeat ought not to be affected in any regard by other amendments to the tariff law. Such a method is a recurrence to the old way of making a tariff bill, which has been properly criticized and condemned, by which its passage is secured not on the merits of particular schedules, but by the support that may be secured in the House or Senate through giving a tariff on particular products of particular localities.

I think there is a general sentiment now in favor of revising the tariff, schedule by schedule, and of making this revision dependent on exact information as to each schedule, gathered by impartial investigators. To amend this Canadian contract and to make its passage dependent on other tariff legislation is to continue the old method of tariff revision characterized, not without reason, as a local issue.

I have said that this was a critical time in the solution of the question of reciprocity. It is critical, because, unless it is now decided favorably to reciprocity, it is exceedingly probable that no such opportunity will ever again come to the United States. The forces which are at work in England and in Canada to separate her by a Chinese wall from the United States and to make her part of an imperial commercial band, reaching from England around the world to England again, by a system of preferential tariffs, will derive an impetus from the rejection of this treaty, and if we would have reciprocity with all the advantages that I have described, and that I earnestly and sincerely believe will follow its adoption, we must take it now or give it up forever.

SPECIAL MESSAGE.

[Recommending legislative action for the suppression of the opium evil.]

THE WHITE HOUSE, *January 11, 1911.*

To the Senate and House of Representatives:

In my annual message, transmitted to the Congress on December 7, 1909, I referred to the International Opium Commission as follows:

> The results of the opium commission, held at Shanghai last spring at the invitation of the United States, have been laid before the Government. The report shows that China is making remarkable progress and admirable efforts toward the eradication of the opium evil, and that the Governments concerned have not allowed their commercial interests to interfere with a helpful cooperation in this reform. Collateral investigations of the opium question in this country lead me to recommend that the manufacture, sale, and use of opium and its derivatives in the United States should be, so far as possible, more rigorously controlled by legislation.

Since making that recommendation, I transmitted to the Congress on February 21, 1910, a report on the International Opium Commission and on the opium problem as seen within the United States and its possessions, prepared on behalf of the American delegates to the commission, and I gave my approval to the recommendations made in a covering letter from the Secretary of State regarding an appropriation and the necessity for Federal legislation for the control of foreign and interstate traffic in certain menacing drugs, and requested that action should be taken accordingly.

The Congress has so far acted on the recommendations as to appropriate $25,000 to enable the Government to continue its efforts to mitigate, if not entirely stamp out, the opium evil through the proposed international opium conference and otherwise to further investigation and procedure.

I now transmit a further report from the Secretary of State giving cogent reasons why the opium-exclusion act of February 9, 1909, should be made more effective by amendments that will prohibit any vessel engaged in trade from any foreign port or place to any place within the jurisdiction of the United States, including the territorial waters thereof, or between places within the jurisdiction of the United States, from carrying opium prepared for smoking, and that would make it unlawful to export, or cause to be exported from the United States and from Territories under its control or jurisdiction or from countries in which the United States exercises extraterritorial rights where such exportation from such countries is made by persons owing permanent allegiance to the United States, any opium or cocaine, or any derivatives or preparations of opium or cocaine, to any country which prohibits or regulates their entry, unless the exporter conforms to the regulations of the regulating country.

The Secretary of State further points out a defect in the opium-exclusion act of February 9, 1909, in that smoking opium may be manufactured in the United States from domestically produced opium, and the pressing necessity for remedying that defect by an amendment to the internal-revenue act of October 1, 1890, that would place a prohibitive revenue tax on all such opium manufactured within the jurisdiction of the United States from the domestically produced material; and he further urges the enactment of legislation which will control the importation, manufacture, and distribution in interstate commerce of opium, morphine, cocaine, and other habit-forming drugs.

I concur in the recommendations made by the Secretary of State and commend them to the favorable consideration of the Congress with a view to early legislation on the subject.

WILLIAM H. TAFT.

[NOTE: With this message was transmitted a report by the Secretary of State reviewing the progress of the international crusade against the opium evil (a subject that is covered on page 7470), dwelling on the prominent part the United States has taken by initiating the movement, and urging that before the international delegates meet at the Hague to write the findings of the conference into international law the Federal statutes should be so amended as to put our own house in order. "Since 1860," reads the report, "there has been a 351% increase in the importations and use of all forms of opium, as against a 133% increase in population." Germany has a population of 60,000,000, and consumes 17,000 pounds of opium; Italy, with 33,000,000 people, consumes 6,000 pounds; Austria-Hungary, with 46,000,000 people, consumes 4,000 pounds of the drug. The United States during the last ten years has imported annually over 400,000 pounds, or eight times as much per head as Germany. The American people need for medicinal purposes less than 50,000 pounds of opium; it is estimated that at least 320,000 pounds annually are used for debauchery.

To meet this serious condition the Secretary proposed that the act of 1909, which excludes all but medicinal opium, be amended by (1) a provision forbidding any vessel trading in waters under American jurisdiction to carry the drug; (2) a provision, aimed at the manufacturers of American-grown opium, prohibiting the exportation of the drug from United States jurisdiction to any country which has barred the importation of the drug; and (3) an internal revenue tax on smoking opium so heavy that the domestic business will be exterminated.

The Secretary concluded by stating that even such amendments will fail to wipe out the evil unless Congress will so regulate the domestic manufacture of, and interstate traffic in, opium, as to force the whole process into the light of day. He strongly recommended the passage of a bill which shall require all importers, exporters, producers and manufacturers of opium and other habit-forming drugs to register their names and places of business with the internal revenue collector and to keep such records and render such reports as the Treasury Department shall prescribe; prohibit the conveyance of the drugs through interstate commerce to any person not so registered; and make it a crime to handle drugs not stamped by the internal revenue authorities.]

SPECIAL MESSAGE.

[Recommending approval by Congress of Constitution of New Mexico.]

THE WHITE HOUSE, *February 24, 1911.*

To the Senate and House of Representatives:

The act to enable the people of New Mexico to form a constitution and State government and be admitted into the Union on an equal footing with the original States, etc., passed June 20, 1910, provides that when the constitution, for the adoption of which provision is made in the act, shall have been duly ratified by the people of New Mexico in the manner provided in the statute, a certified copy of the same will be submitted to the President of the United States and to Congress for approval, and that if Congress and the President approve of such constitution, or if the President approve the same and Congress fails to disapprove the same during the next regular session thereof, then that the President shall certify said facts to the governor of New Mexico, who shall proceed to issue his proclamation for the election of State and county officers, etc.

The constitution prepared in accordance with the act of Congress has been duly ratified by the people of New Mexico, and a certified copy of the same has been submitted to me and also to the Congress for approval, in conformity with the provisions of the act. Inasmuch as the enabling act requires affirmative action by the President, I transmit herewith a copy of the constitution, which, I am advised, has also been separately submitted to Congress, according to the provisions of the act, by the authorities of New Mexico, and to which I have given my formal approval.

I recommend the approval of the same by the Congress.

WILLIAM H. TAFT.

SPECIAL MESSAGE.

[Explaining assistance given shipbuilders by State Department in contest for contract to construct Argentine battleships.]

THE WHITE HOUSE, *April 5, 1911.*

To the Senate:

I transmit herewith the answer of the Secretary of State to the resolution passed by the Senate of the United States on February 27, 1911, relating to the construction and armament in this country of two battleships for the Argentine Republic.

WILLIAM H. TAFT.

[NOTE: This Message was accompanied by a report from the Secretary of State explaining that his Department's strenuous efforts to procure equal opportunity for American shipbuilders in the competition for the contract to construct two Argentine battleships was a direct consequence of the appropriation of $100,000 by Congress for the purpose of enabling the Department to render greater assistance to manufacturers in their efforts to obtain international business.

"This was the first time," reads the report, "that American shipbuilders and ordnance manufacturers had ventured into competition with the naval constructors of the world, who were favored . . . by the prestige of long-established international relations and experience. . . . American industry labored under the added disadvantage of isolation," the negotiations taking place at London and Buenos Aires, "while their competitors enjoyed all the powerful aid incident to . . . large colonies and great masses of invested capital" in Argentina. The Secretary regarded the final awarding of the contracts to American shipbuilders as a good augury for the commercial expansion of the future, and no inconsiderable achievement of diplomacy.]

SPECIAL MESSAGE.

[Explaining the Administration's reasons for eliminating from the Chugach National Forest of Alaska 12,800 acres of land fronting on Controller Bay.]

THE WHITE HOUSE, *July 26, 1911.*

To the Senate of the United States:

On June 27th last, your honorable body adopted the following resolution:

Resolved, That the President of the United States be, and he is hereby, requested to transmit to the Senate of the United States copies of all letters, maps, executive or departmental orders or instructions, surveys, also applications to enter land, or for rights of way for railroads or otherwise, and all other official reports, recommendations, documents, or records in the Departments of War, Interior, and Agriculture, or by any of the officials or bureaus of these departments, not included in the report of the Secretary of the Interior of April 26, 1911, printed as Senate Document No. 12, Sixty-second Congress, first session, relating in any way to the elimination from the Chugach National Forest, in Alaska, of land fronting upon Controller Bay, approximating 12,800 acres; especially referring to such papers, documents, etc., as relate to the applications of the Controller Railroad & Navigation Co. for rights of way or confirmation of its maps of rights of way or harbor rights or privileges in or near to the said Controller Bay, or upon the Chugach National Forest, or upon lands eliminated therefrom, or upon the tide lands or shore lands of the said Controller Bay, with such information, if any, as is in the possession of the War Department, relating to the character of Controller Bay as a harbor, its soundings, and a designation of those portions of the harbor which are available for the use of deep-water vessels.

Also, to include in the report hereby requested the names of the soldiers whose claims are to be used as bases for the applications for the land referred to, the mesne and subsequent assignments, and other data relating thereto, with a statement of the present status of all said applications to enter said lands or for rights of way thereon.

I herewith submit copies of all the documents above requested. The records in the Department of Commerce and Labor are not asked for in the resolution, but the Secretary of the Interior has secured from the Secretary of Commerce and Labor certain documents relating to the subject matter on file or of record in the Bureau of Coast and Geodetic Survey, and those are transmitted as part of the documents furnished me by the Secretary of the Interior. I also submit such documents as are on the Executive Office files relating to the Executive order of October 28, last.

I deem it wise and proper to accompany the submission of these documents with a statement in narrative form of the action of the administration with the reasons therefor.

The Executive order of October 28, 1910, referred to in the resolution, was in the terms following:

"THE WHITE HOUSE, *Washington, October 28, 1910.*

"Under authority of the act of Congress of June 4, 1897 (30 Stat., 11, at 34 and 36), and on the recommendation of the Secretary of Agriculture, it is hereby ordered that the proclamation of February 23, 1909, enlarging the Chugach National Forest, be modified to reduce the area of such national forest by eliminating therefrom the following-described tract, containing approximately 12,800 acres of land, which has been found, upon examination, to be not chiefly valuable for national forest purposes:

"Beginning at a point where the meridian of longitude 144 degrees 5′ west crosses the coast line of Controller Bay, thence north along said meridian line to the parallel of latitude at 60 degrees and 10′ north; thence west along said parallel to a point where the same crosses the coast line at or near the mouth of Behring River, and thence along the coast to the place of beginning.

"The tract above described is hereby restored to the public domain.

"*William H. Taft.*"

Controller Bay is upward of twenty miles in total length and five or six miles in width and is land-locked by a number of islands. It was supposed for some time to be so shallow as to make its use for navigation impossible, but in 1907 a channel was discovered, which passed from the ocean to the southeast of the island of Kanaka and curving into the bay extended southeasterly some seven miles. Mr. McCabe, solicitor of the Agricultural Department, states in the memorandum prepared by him for submission to the secretary and to me, that investigation had shown that for a distance of six miles the frontage of Controller Bay was on deep water, to be reached by trestles of ordinary length.

A more exact description of the channel is as follows: For four miles it is about three quarters of a mile wide and for three miles about 2,000 feet wide, gradually approaching nearer to the shore of the mainland. The channel is eleven fathoms where it enters the bay, and continues for more than five miles to have a 30-foot depth, and then gradually shallows until it is from twelve to fifteen feet at mean low water. The mean high tide would increase its depth nine feet. The bottom of the channel is glacial silt and very easily dredgible, so that it would be entirely practicable to widen the channel and deepen it the full length of seven miles. The tract eliminated by the Executive order has a right-angled triangular form, with the shore line or high-water mark as the hypotenuse, between six and seven miles long and roughly about the same length as the channel I have described. The north shore opposite the entrance of the channel to the bay is between two and three miles from low-water mark, and is separated therefrom by tidal mud flats that are covered at high water. The 30-foot contour line is about a mile farther from the shore line.

All the territory surrounding Controller Bay was included in the Chugach Forest Reservation in 1909 by a proclamation of President Roosevelt. The importance of Controller Bay is that it lies about twenty-five miles from very valuable coal deposits, known as the Bering coal fields. Katalla Bay is to the west of Controller Bay and almost immediately adjoins it. It is an open roadstead upon the shore of which an attempt was made by the Morgan-Guggenheim syndicate to establish a railway terminal, and thence to build a road to the Bering coal fields, already mentioned. The attempt failed for the reason that the breakwater protecting the terminals was destroyed by storms and the terminals became impracticable. Some fifty miles or more farther west of Katalla Bay is the mouth of the Copper River, where there is an excellent harbor, on which is the town of Cordova. There the Copper River Railroad, owned by the Morgan-Guggenheim interests, has its terminals, and the line runs to the northeast along the Copper River and has nearly reached certain rich copper mines in the interior.

A branch from this main line is projected to the Bering coal fields and is feasible.

When the channel in the Controller Bay was discovered, Mr. Tittmann, superintendent of the Coast Survey, as shown by his letter in the record, was of opinion that it was of great value and ought to be maintained as a naval reservation because of its proximity to the coal fields. His letter was submitted by the Secretary of Commerce and Labor to the Secretary of the Interior, who invited the comment of the Director of the Geological Survey. That officer replied that the harbor was a poor one, and that it would not be as good for a naval reservation as one already selected, but that he thought that private capital ought to be encouraged to construct a railway from the channel over the mud flats to the shore and thence to the coal fields. Captain Pillsbury of the Army Engineers, in a report in the record made in 1908, mentions three possible objections to Controller Bay: First, that the surrounding islands may prove to be so low as not fully to protect the channel; second, that the flats extend two or three miles from the shore; and, third, that ice formed in the rivers entering the bay and affected by tidal currents may destroy structures put upon the flats and especially a long trestle built over them.

In December, 1909, Mr. Richard S. Ryan, representing the Controller Railway & Navigation Company, applied to Mr. Pinchot, the then Forester, for an elimination from the Chugach Forest Reservation of a tract of land to enable his company to secure railroad terminals, bunkers, railroad shops, etc., on the northeast shore of Controller Bay. This application was referred by the Associate Forester to the District Forester at Portland, Ore., and by him to the Forester in Alaska. The result of these references and the application was that early in 1910 Mr. Graves, who had in the meantime become Forester, reported that there was no objection from the standpoint of forestry interests to the elimination of the tract indicated, or, indeed, of 18,000 acres on the northeast shore of Controller Bay.

The attention of the Navy Department was invited by the Forestry Bureau to the proposal to open the shore of Controller Bay to entry and occupation, and inquiry was made whether the Navy Department desired to use Controller Bay as a reservation and whether it objected to its being opened up. The answer was in the negative.

The matter was considered by the Forestry Bureau, by the Secretary of Agriculture, by the Secretary of the Interior, and by the General Land Office, and the result was a recommendation to me in May, 1910, that an elimination be made of 320 acres with a frontage of 160 rods on the northeast shore of Controller Bay. I entertained some question about the matter and stated my objections at a cabinet meeting. Thereafter, some time in June, I had an interview with Mr. Richard

S. Ryan, the promoter of the Controller Railway & Navigation Company, to whom the Secretary of the Interior had stated my objections, which led to Ryan's sending a communication to the Secretary of the Interior under date of July 13, 1910. This letter was, in the secretary's absence, sent by the department to me at once. I considered the whole case in August, 1910, and directed that the 320 acres, recommended by both departments, be eliminated as recommended. Nothing was done, however, in the matter until I returned to Washington in October, 1910, when a formal order, which had been drawn in the Interior Department and was subsequently specifically approved by the Secretary of Agriculture and returned to the Interior Department, was submitted to me by the Acting Secretary of the Interior, with the approval of that department. The order was as follows:

> Under authority of the act of Congress of June 4, 1897 (30 Stat., 11, at 34 and 36), and on the recommendation of the Secretary of Agriculture, it is hereby ordered that the proclamation of February 23, 1909, enlarging the Chugach National Forest, be modified to reduce the area of such national forest by eliminating therefrom the following described tract, containing approximately 320 acres of land, which has been found, upon examination, to be not chiefly valuable for national forest purposes and which is necessary for terminal purposes and desired by the Controller Railway & Navigation Co. for such purposes:
>
> Beginning at a point on Controller Bay which bears south 17° 22′ west, 1,196.7 feet from U. S. Location Monument No. 842; thence north 5,720.5 feet; thence east 2,202.1 feet; thence south 7,044.2 feet to a point on Controller Bay; thence following the meanders of the bay north 52° 30′ west 1,460 feet; thence north 79° 26′ west 800 feet; thence north 42° 34′ west 380 feet, to the point of beginning, containing 320 acres, approximately, the same being in approximate longitude 144° 11′ west from Greenwich, latitude 60° 8′ north.
>
> The tract above described is hereby restored to the public domain.

The question finally came before the Cabinet late in October. After a full discussion of the matter, and after a consideration of the law, I expressed dissatisfaction with the order because it purported on its face to make the elimination for the benefit of a railroad company of a tract of land which the company could not secure under the statute, for it was a tract 320 acres in one body when only 160 acres could be thus acquired. In the second place, I preferred to make a much larger elimination of a tract facing the entire channel, and with sufficient room for a terminal railway town. I was willing to do this because I found the restrictions in the law sufficient to prevent the possibility of any monopoly of either the upland or the harbor or channel by the Controller Railway & Navigation Company, or any other persons, or company. For lack of time sufficient to draft a memorandum myself, I requested the Secretary of the Interior, who, with the Secretary of Agriculture, after full discussion, had agreed in my conclusion, to prepare a letter setting forth the reasons for making the larger elimination, so that it might become part of the record. The letter is of even date with the order. It does not set forth the reasons for the larger order as fully as I did in discussing it.

It had been originally suggested by the Forestry Bureau that 18,000 acres might safely be eliminated so far as forestry purposes were concerned, but fear had been expressed by one of the District Foresters that such a large elimination would offer an opportunity to the company to use land scrip and acquire title to extensive town sites, and the result of the joint consideration of both departments had been the reduction to 320 acres.

I wish to be as specific as possible upon this point and to say that I alone am responsible for the enlargement of the proposed elimination from 320 acres to 12,800 acres, and that I proposed the change and stated my reasons therefor, and while both secretaries cordially concurred in it, the suggestion was mine.

The statement of Mr. Ryan, who had been properly vouched to the Forester by two gentlemen whom I know, Mr. Chester Lyman and Mr. Fred Jennings, and who had produced a letter from a reputable financial firm, Probst, Wetzler & Company, was that the railway company which he represented had expended more than $75,000 in making preparations for the construction of a railway from Controller Bay to the coal fields, twenty-five miles away, but that they were obstructed in so doing by the order reserving the Chugach Forest Reservation, which covered all of the Controller Bay shore. He, as well as Probst, Wetzler & Company, gave every assurance that the Copper River Railway Company, owned by Messrs. Morgan and Guggenheim, had no connection with them, and that they were engaged in an independent enterprise in good faith to build an independent railroad. No evidence to the contrary has been brought to my attention since.

Of course it was possible that the owners of the Copper River Railway Company might attempt to buy this railroad when, and if, it was built. It was possible that Mr. Ryan was acting in the interests of the Copper River Railroad, although I did not believe it; but, whether this was true or not, it was clear that the order of elimination by reason of the restrictions of the act of Congress hereafter explained, would not permit the owners of either railroad to shut out any other capitalists who might desire to construct a railroad from the channel of Controller Bay to the coal fields; and if by this order we could secure the construction of a railroad from Controller Bay to the coal fields, it would be a distinct step in the useful development of Alaska. The rates of freight for coal to be charged, of course, would always be subject to congressional control, and if Government ownership seemed a wise policy under the peculiar circumstances, ample land for right of way, harbor frontage, and terminals must always remain available under the law for Government use, or if it is preferred to take over to the Government a railway built by private enterprise, condemnation is easy.

The thing which Alaska needs is development, and where rights and franchises can be properly granted to encourage investment and construction of railroads without conferring exclusive privileges, I believe it to be in accordance with good policy to grant them.

Full authority is given in the Federal statutes for the location of railroads and the acquisition of a right of way over public lands by such location and construction of the road in Alaska (30 Stat. L., 409), and this is permitted even in the forest reservations. (30 Stat. L., 1233.) Pains are taken in the statute to prevent one railroad from excluding another by the appropriation of the only possible pass or cañon or defile through which a road can be built between two points. The difficulty presented by a forest reservation in a case like this is that there is no opportunity to secure town sites or proper terminals for a coal road and shipping point in such a reservation. When, on the recommendation of Forester Pinchot, the Chugach National Forest was created by proclamation of President Roosevelt in July, 1907, there were excepted from the forest the several areas contained within boundaries formed by circles described with a radius of a mile each from the centers of ten small towns or settlements. Among these were Eyak, on Orca Bay, and Valdez, on Valdez Arm. A little later (September 18, 1907), there was eliminated from the reservation approximately 33,000 acres of the water front on Valdez Arm, the tract thus eliminated being a mile wide, abutting on the shore, and following the contour of the arm or bay for a distance of more than thirty miles. At this time, Valdez was deemed important as a future port. Both Orca Bay and Valdez Arm are excellent harbors and have deep water near the shore.

While it does not appear that the creation of railway terminals and harbor facilities was one of the reasons for the exclusion from the national forest of the lands around the town of Eyak, or for the elimination of 33,000 acres at Valdez Arm, it certainly was not regarded as necessary to include or to retain these lands within the national forest for fear they would be entered by a railroad, because on April 24, 1907, Mr. Ballinger, then Commissioner of the General Land Office, had called the attention of Secretary Garfield to the fact that a number of transportation companies were seeking to obtain rights of way through the lands included in the general area proposed to be reserved. Doubtless the rights of the public were thought to be sufficiently safeguarded against monopoly of harbor facilities under the limitations of the statute hereafter mentioned, which were the same then as now. As a matter of fact, the Copper River Railway Company, owned by the Morgan-Guggenheim Syndicate, having applied for terminal and station grounds at what was then called Eyak shortly before the Chugach Forest Reservation was proclaimed, has established its terminals there and thus has been developed in the immediate neighborhood the well-known terminal town of Cordova. Whenever the Bering coal fields are opened this company can readily reach them by a branch line, the construction of which has already been considered and is entirely practicable. Indeed, its promoters have insisted to the Secretary of the Interior that this is the proper method of developing these coal fields, and that they would not be interested in building a direct line to Controller Bay, where it would be necessary for them to duplicate terminal facilities they already have at Cordova on a better harbor, and where coal is not the only commodity seeking transportation. If this position is correct, and it seems to have sound economic reasons behind it, the only effect of preventing railroad construction at Controller Bay would be to leave the field entirely to the Copper River Railroad.

If a railroad was to be constructed from Controller Bay to the Bering coal fields, it was perfectly evident that there must be a terminal town on the shore of Controller Bay, and I was therefore glad and anxious to throw it open to entry and settlement as one important step in encouraging railroad enterprise. I was certain that Congress had provided, in the statutes affecting the entry and settlement of land in Alaska, limitations which would prevent the possibility of the exclusive appropriation of the harbor and channel of Controller Bay or its shores or upland to any one railroad. This, I propose now to show.

The only practicable method for securing title from the Government in such a tract as this after its elimination is by the use of what is called "soldiers' additional homestead right," evidences by scrip. The statutory limitations upon this method of acquiring title are threefold:

1. No more than 160 acres can be entered in any single body by such scrip. (30 Stat. L., 409; 32 Stat. L., 1028.)

2. No location of scrip along any navigable waters can be made within the distance of eighty rods of any lands already located along such waters. No entry can be allowed extending more than 160 rods along the shore of any navigable water, and along such shore a space of at least eighty rods must be reserved from entry between all such claims. (30 Stat. L., 409; 32 Stat. L., 1028.) Moreover, the statute expressly provides that a roadway sixty feet in width, parallel to the shore line as near as may be practicable, shall be reserved for the use of the public as a highway. (30 Stat. L., 413.)

3. Nothing in the act contained is to be construed to authorize en-

tries to be made or title to be acquired to the shore of any navigable waters within said district. (30 Stat. L., 409; 32 Stat. L., 1029.)

Under the first limitation the navigation company and every other person is prevented from locating more than 160 acres in one body. By the construction of the land department, as shown in the record, this requires a separation between any two entries by the same person or in the same interest of a tract of forty acres. This would prevent the possibility of any one person or any one interest acquiring an entire tract like that of 12,800 acres.

The second limitation is important in that it prevents the entry of claims at any point on the shore having a greater frontage than half a mile, and requires that between that and the next claim taken up there shall be a frontage reserved to the public and kept in public control of a quarter of a mile. The consequence is that in the seven miles of the frontage of this eliminated tract there must be reserved for Government control and use, and such disposition as Congress may see fit to make, and free from private appropriation, a frontage aggregating about 2¾ miles, and so distributed along the shore in frontages of eighty rods as to make certain of a public frontage of this width having all the advantage that any private frontage can have. In other words, if a tract with a half-mile frontage is located at a particularly advantageous place with reference to the harbor, then on each side of that frontage must be reserved to the public a frontage of a quarter of a mile, or a half mile in all, for public uses. These public frontages are to be connected by a sixty-foot street reserved parallel to the shore.

These two restrictions necessarily prevent a monopoly of land abutting on the shore, and as they necessarily prevent a monopoly by any one locator, or in the interest of any company for whom locators are acting, they take away the motive for the acquisition of land and frontage merely for the purpose of excluding other companies and possible competitors and tend to confine locators to the acquisition of land to be profitable in its use.

Since the executive order was issued, October 28, 1910, there have been four locations under soldiers' scrip—three of them of 160 rods each along the bay, separated by two divisions of eighty rods, dated November 1, November 10, and November 11, 1910, respectively. I shall assume that all of them are in the interest of the Controller Railway & Navigation Company. None of them has been approved or passed to patent, but I shall assume they can be passed to valid patent. Where the fourth one, dated March 11, 1911, is, does not appear on the map opposite page 2, but it is understood to front 160 rods on the bay shore on the east side of the Campbell River. In addition, upon one of the 80-rod intervals, there is filed what is called a terminal railroad claim of forty acres, covering the entire frontage of eighty rods. This was filed December 14, 1910, after the location of the two scrip entries which it connects. It is plainly invalid because placed on the interval of eighty rods especially reserved by statute for the public. We thus have four frontages of 160 rods now located.

Of the shore frontage unlocated which may be appropriated by scrip, there remain six frontages of 160 rods each on the shore of the tract opened by the Executive order facing the bay and channel, and in addition about 2¾ miles of frontage distributed in eleven 80-rod strips, subject to public use and the disposition of Congress. There is thus ample room for many other railroads to reach high-water mark on Controller Bay, and there to acquire tracts for terminals. Of the 12,800 acres, the entries in area have covered not more than 800 acres, and all the rest is available for scrip location or is reserved for the public under the limitations of the act.

But it is said that the three or four locations are the best ones on the bay with reference to the channel and harbor, and are opposite the deepest part. If this is true, it is equally true of the 80-rod reservations between and on each side of these locations. More than that, the channel extends 2½ miles beyond these locations, and while it narrows some and shallows some, it still has a depth of from fifteen to thirty feet at low water and, if necessary, is easily capable of being dredged to greater depth and greater width because of the character of the bottom.

But there is a third reason why the opening of this tract to settlement and limited private appropriations cannot lead to a monopoly in the Controller Railway & Navigation Company or anyone else. The distance from the dry land—i. e., the shore land—the line of high-water mark—to the line of low-water mark is between two and three miles, and the distance to deeper water is about a mile farther, making it necessary, if a harbor is to be reached and used, to construct a viaduct or trestle three or four miles long from the shore to the channel. This tidal flat is owned by the United States, and the acquisition under the public-land laws of tracts on the shore abutting these tidal flats gives no right or title to those flats. This would be the law if the statute was silent on the subject; but not only the statute of 1898 (30 Stat. L., 409), but also the amending statute of 1903 (32 Stat. L., 1028) expressly imposes the restriction that no title or right can be obtained under the act in the shore of a navigable body of water.

The theory upon which it has been contended that the Controller Bay Railway & Navigation Company has practically acquired an exclusive appropriation of the harbor is that its anticipated ownership of the lands located by it and abutting on the shore will give it the right to build viaducts from these lands to the side of the deep channel, 3½ miles away, and there establish wharves on the channel equal in frontage to that of the locations made on the shore, and that even if it does not itself build such wharves, it can prevent anyone else from enjoying access to the channel for the whole length of its frontage, say two miles. I have shown that even if this were the law, the public reservations and the unlocated frontage would prevent monopoly of the channel. But it is not the law.

The shore runs from high-water mark down to low-water mark. The owners of the upland, by virtue of the title they have acquired from the Government, do not acquire a vested right of access to the deep water and have no right or easement to build viaducts or trestles across the flats or wharves along the deep channel which Congress may not regulate or defeat.

The principle of law is settled by the decision of the Supreme Court of the United States in the case of Shively *vs.* Bowlby (152 U. S., 1). In that case it was decided that "grants by Congress of portions of the public lands within a territory to settlers thereon, though bordering on or bounded by navigable waters, convey of their own force no title or right below high-water mark" and do not impair the right either of the United States or of the future State, when created, to deal with the tidal land between high and low water mark at pleasure. It was there held that in the State of Oregon a person who took title to land acquired under an act of Congress while Oregon was a Territory, abutting on the tidal water of the Columbia River, could not object to a subsequent grant to another by the State of Oregon of the tidal lands upon which the land of the grantee under the act of Congress abutted.

It follows that no matter what the ownership of the upland abutting on the tidal flats, Congress has complete power to regulate the trestles and wharves which shall be built from the shore to the channel and along it, and to determine their character and the distance along the channel they may occupy, and in the absence of congressional action, the abutting lot owners can possibly acquire at best only a revocable license or permit from the War Department to put in such structures as that department will certify do not interfere with navigation.

Is congressional action wanting or has Congress given abutting lot owners any permission or easement of this kind? In only two instances has Congress conferred any such authority.

There is a provision of the act of May 14, 1898 (30 Stat. L., 409), providing a right of way for located railways in Alaska that reads as follows:

> And when such railway shall connect with any navigable stream or tide water, such company shall have power to construct and maintain necessary piers and wharves for connection with water transportation, subject to the supervision of the Secretary of the Treasury.

But this is not a right incident to, or commensurate with, ownership of abutting land, but it is incident only to the location of a right of way of a railway. It secures to the railway only such trestles or viaducts to the wharves along the deep channel as the Secretary of the Treasury may deem necessary.

In the second place, there is a provision in the same act by which the Secretary of the Interior may permit the extension of piers and the construction of wharves from the 80-rod frontages reserved to the public, to the navigable channel, but such piers and wharves must be open to public use for reasonable tolls to be fixed by the secretary (30 Stat. L., 413).

There is no provision or intimation in the statute that abutting landowners as such shall have an easement of this kind. The consequence is that even if the Controller Railway & Navigation Company were to obtain control of the entire frontage on the north shore—which, of course, it cannot do because of the 80-rod reservations—it still could not appropriate the channel or exclude anyone from its occupancy.

The whole contention that the executive order and the opening to settlement of the shore of Controller Bay grants a monopoly to the railway company rests on the claim that it has given an opportunity to persons using scrip to appropriate the control of the only available and practicable parts of the channel by the location of the scrip opposite to those parts. If now the location of the scrip opposite to the harbor gives no right to reach the harbor except as Congress may expressly give it, clearly the Controller Railway & Navigation Company has not the slightest opportunity for exclusive appropriation of the harbor facilities unless Congress shall by future act deliberately and voluntarily confer it.

I should be lacking in candor if I allowed it to be inferred that this third reason for saying that there is not the slightest danger of this order giving a monopoly of the channel to the Controller Railway & Navigation Company was present in my mind when I made the order. I was, of course, satisfied because of the other restrictions mentioned that no monopoly of the channel could follow, but I did not examine the law as to this point at that time. But the law is as I have stated it, and the consequences are inevitable.

The owners of the Controller Railway & Navigation Company realized the difficulty there might be in asserting a right as abutting owners to construct trestles and wharves on the tidal flats to the channel, and without even relying on the express privilege conferred on railway companies to apply to the Secretary of the Treasury for such permission, already quoted, went direct to Congress and secured from Congress an act which gives to the company expressly a right of way 200 feet wide across the tidal flats to the deep water; but this grant of an exclusive easement is carefully drawn and is accompanied and surrounded with every safeguard. Express power to repeal it is reserved to Congress, and the character and extent of the structures on the channels are placed in the control of the War Department upon recommendation of the Chief of Engineers. This easement was granted in an act passed March 4th of this year (36 Stat. at Large, p. 1360), and only after full examination by the Interstate Commerce Committee of the House, after recommendations by the War Department and the Interior Department and a clarifying discussion in the House of Representatives.

In the records of the War Department will be found one permit to construct a trestle from the Controller Bay shore to the channel, which, by extension, is still in force and will remain so until January 1, 1912. This was given to the Controller Bay & Bering Coal Railway Company, a different company from the Controller Railway & Navigation Company. It does not appear upon what authority such permit could be given by the War Department. Under the statute, the Secretary of the Treasury is charged with supervision over such a case, and before a lawful license can be granted his consent must be obtained (30 Stat. L., 409).

It follows from what has been said that the question of how the channel of Controller Bay shall be used is wholly in the control of Congress and nothing that has been done by the executive order or otherwise imperils that control. With the opportunity that any projected railway has to secure access to the harbor by locating its right of way to the line of the shore under supervision of the Secretary of the Treasury, or by application to Congress, the mere private ownership of land abutting on the shore is relatively unimportant. If a railway company thus secures access by trestle and wharf to the deep-water channel, it may conveniently establish its terminal yards, stations, warehouses, and elevators wherever in the eliminated tract it can secure title, and extended frontage on the tidal flats is of no particular advantage. As 12,000 acres in the tract eliminated still remain open to entry, the prospect of a monopoly in one railroad company is most remote. I submit to all fair-minded men who may have been disturbed over the charges made in respect to the executive order of October 28, 1910, that it has been demonstrated by the foregoing that no public interest has suffered from its issue; that great good may come from it; and that no dishonest or improper motive is needed to explain it. I might, therefore, stop here; but rather for the purpose of the moral to be drawn from them than to vindicate the order, I propose to consider the attacks upon the order that misinformation, hysteria, or rancor has prompted.

The order has been criticized because it was not in form a proclamation instead of an order. This was determined by Mr. Graves, the Forester, who, in letter of March 24, 1910, speaking of the proposed elimination, says to his assistant: "Action in this instance will be taken by executive order rather than by proclamation accompanied by diagram," and he gives the reasons in a note dated July 6, 1911:

> When a comparatively small area is to be eliminated from a national forest the executive order is very commonly used instead of the proclamation, especially when other changes in boundaries may be made in a short time. The preparation of the diagrams which accompany a proclamation is necessarily expensive and laborious, and the issuance of repeated proclamations with their diagrams is avoided when an executive order will serve the purpose. In the present case reports were pending, recommending other changes in boundaries of the Chugach Forest, and since the proposed eliminations would be described without the use of a diagram, the executive order form of elimination was chosen.

The fact is that in law there is in effect no difference between a proclamation and an executive order. (Wood *vs.* Beach, 156 U. S., 548-550.) In practice the same publicity is given to each. Both are sent to the State Department for record. The custom of the State Department is to advertise neither a proclamation nor an executive order. Each is merely handed to the representatives of the press after being executed, and is sent to the large mailing list of the State Department. That course was here pursued in respect to the executive order of October 28, 1910. In accordance with custom, copies were sent to the Interior Department and the Agricultural Department, because they were especially concerned.

The charge has been made that this was a secret order, and that though it was made in October, 1910, no one knew of it until April, 1911. This is utterly unfounded. The statement of Mr. Vernon, the correspondent of the *Post-Intelligencer,* of Seattle, a newspaper of wide circulation among a people most interested in Alaska, shows that ten days before the order was made, news of the details of Ryan's application and the probability of its being granted was given wide publicity. It further appears from the records of the Interior Department that the evening the order was signed, October 28, 1910, a full notice of the issue of the order and its details was furnished by the department to all correspondents in the form of a news bulletin. Finally, the agent of the Associated Press certifies that at 7.23 P.M., October 28, 1910, there was sent out by that association to all its newspaper clients a telegram taken from a typewritten statement issued by the Interior Department, as follows:

> WASHINGTON, *October 28.*—Approximately 12,800 acres of land in the Chugach National Forest, Alaska, have been restored by the President for disposition under appropriate land laws, according to information made public to-day by

the Interior Department. These lands are situated on the coast line of Controller Bay in Southern Alaska near the Cunningham claims, and have been found upon examination to be of little value for forestry purposes.

It would be difficult to prepare an advertisement more informing to the public or more likely to attract the attention of all likely to desire acquisition of land on Controller Bay. On the 29th, the Chief Forester sent a telegram making a similar announcement to his district forester at Portland, Ore.

The order has been attacked on the ground that it did not contain a provision delaying its taking effect for thirty days after its local publication as orders restoring land to settlement by homesteaders frequently do. An examination of the record furnishes an explanation of this feature of the order as made. When in October the two departments had agreed, with my acquiescence, that the order should be an elimination of only 320 acres, an order describing the 320 acres directing its restoration to settlement and containing the usual provision postponing its taking effect thirty days was prepared in the Forestry Bureau and forwarded to the Interior Department. There it was deemed wiser to spread on the face of the order a specific declaration that it was made to afford terminals for the Controller Railway & Navigation Company, and as no one else was expected to intervene and take up any part of the eliminated tract, the restoration was made immediate.

The form thus amended was submitted to the Secretary of Agriculture, who expressed his preference for the immediate restoration order through his solicitor's memorandum on the face of the order, as follows:

Mr. Clements,

[*Assistant Attorney in the Interior Department:*]

We think this O. K. The Secretary says it is the direct way, and appeals to him.

Geo. P. McCabe.

The idea of the Secretary doubtless was that the short form of order was preferable because on its face it was directly indicative of the purpose to secure an opportunity to the railway company by proper entry to settle on the land eliminated, and as no one else was expected to intervene no postponement was needed. Accordingly when the case came for decision in the Cabinet, the order was without any postponement clause. This was the form sent me for my signature by the Acting Secretary of the Interior Department.

When I directed the striking out of the reference to the railway company and the enlargement of the area from 320 acres to 12,800 acres, the form of the order in its provision for immediate restoration was not changed. I have no doubt that this was the reason why the order issued took the form it did. Had the postponement clause been suggested, I would, doubtless, have directed it to be embodied in the order. But the event has proven that it was really not important in this case, for in now nearly nine months only the Controller Railway & Navigation Company has made any scrip entries on the eliminated tract and this, although 12,000 acres and about two and one half miles of water front still remain open to entry, and there are several different railway companies in addition to the Controller Railway & Navigation Company that had filed locations for rights of way in the vicinity in the last two years who have had in the last nine months the fullest notice of their opportunity if they wished to enter on this land.

Before closing, I desire to allude to a circumstance which the terms of this resolution make apt and relevant. It is a widely published statement attributed to a newspaper correspondent that in an examination of the files of the Interior Department a few weeks ago a postscript was found attached to a letter of July 13, 1910, addressed by Mr. Richard S. Ryan to Secretary Ballinger—and in the present record—urging the elimination of land enough for terminals for the Controller Railway & Navigation Company. The postscript was said to read as follows:

> DEAR DICK:
>
> I went to see the President the other day. He asked me who it was I represented. I told him, according to our agreement, that I represented myself. But this didn't seem to satisfy him. So I sent for Charlie Taft and asked him to tell his brother, the President, who it was I really represented. The President made no further objection to my claim.
>
> Yours, DICK.

The postscript is not now on the files of the department. If it were, it would be my duty to transmit it under this resolution. Who is really responsible for its wicked fabrication if it ever existed, or for the viciously false statement made as to its authenticity, is immaterial for the purposes of this communication. The purport of the alleged postscript is, and the intention of the fabricator was, to make Mr. Richard S. Ryan testify through its words to the public that although I was at first opposed in the public interest to granting the elimination which he requested, nevertheless through the undue influence of my brother, Mr. Charles P. Taft, and the disclosure of the real persons in interest, I was induced improperly and for the promotion of their private gain, to make the order.

The statement in so far as my brother is concerned—and that is the chief feature of the postscript—is utterly unfounded. He never wrote to me or spoke to me in reference to Richard S. Ryan or on the subject of Controller Bay or the granting of any privileges or the making of any orders in respect to Alaska. He has no interest in Alaska, never had, and knows nothing of the circumstances connected with this transaction. He does not remember that he ever met Richard S. Ryan. He never heard of the Controller Railway & Navigation Company until my cablegram of inquiry reached him, which, with his answer, is in the record.

Mr. Ballinger says in a telegram in answer to my inquiry, both of which are in the record, that he never received such a postscript and that he was in Seattle on the date of July 13th, when it was said to have been written.

Mr. Richard S. Ryan, in a letter which he has sent me without solicitation, and which is in the record, says that he never met my brother, Mr. Charles P. Taft, and that so far as he knows, Mr. Charles P. Taft never had the slightest interest in Controller Bay, in the Controller Railway & Navigation Company, or in any Alaskan company, that he utterly denies writing or signing the alleged postscript. The utter improbability of his writing such a postscript to Mr. Ballinger at Washington, when the latter was away for his vacation for two months, must impress everyone.

The fact is that Mr. Ballinger never saw the letter of July 13, 1910, to which this postscript is said to have been attached. It was sent to me by Mr. Carr, Secretary Ballinger's private secretary, at Beverly, on July 14th—the next day. I read the letter at Beverly in August with other papers and sent them to the White House. It was placed upon the White House files and remained there until April 22, 1911, when it was, by request of Secretary Fisher, for use in connection with his answer to a Senate inquiry, returned to the Interior Department, and it was after this that the correspondent is said to have seen the letter with the postscript attached. Mr. Carr saw no such postscript when he sent the letter to me. I did not see it when I read it. No one saw it in the Executive Office, but it remained to appear as a postscript when it is said that the correspondent saw the letter in April or May on the files of the Interior Department. All others were denied the sight.

The person upon whose statement the existence of what has been properly characterized as an amazing postscript is based, is a writer for newspapers and magazines, who was given permission by Secretary Fisher, after consultation with me, to examine all the files in respect to the Controller Bay matter—and this under the supervision of Mr. Brown, then private secretary to the Secretary of the Interior. After the examination, at which it is alleged this postscript was received from the hand of Mr. Brown, the correspondent prepared an elaborate article on the subject of this order and Controller Bay, which was submitted to Mr. Fisher, and which was discussed with Mr. Fisher at length, but never in the conversation between them or in the article submitted did the correspondent mention the existence of the postscript. Mr. Brown states that there was no such postscript in the papers when he showed them to the correspondent and that he never saw such a postscript. Similar evidence is given by Mr. Carr and other custodians of the records in the Interior Department.

Stronger evidence of the falsity and maliciously slanderous character of the alleged postscript could not be had. Its only significance is the light it throws on the bitterness and venom of some of those who take active part in every discussion of Alaskan issues. The intensity of their desire to besmirch all who invest in that district, and all who are officially connected with its administration, operates upon the minds of weak human instruments and prompts the fabrication of such false testimony as this postscript. I dislike to dwell upon this feature of the case, but it is so full of a lesson that ought to be taken to heart of every patriotic citizen that I cannot pass it over in silence.

When I made this order, I was aware that the condition of public opinion in reference to investments in Alaska, fanned by charges of fraud—some well founded and others of an hysterical and unjust or false character—would lead to an attack upon it and to the questioning of my motives in signing it. I remarked this when I made the order, and I was not mistaken. But a public officer, when he conceives it his duty to take affirmative action in the public interest, has no more right to allow fear of unjust criticism and attack to hinder him from taking that action than he would to allow personal and dishonest motives to affect him. It is easy in cases like this to take the course which timidity prompts, and to do nothing, but such a course does not inure to the public weal.

I am in full sympathy with the concern of reasonable and patriotic men that the valuable resources of Alaska should not be turned over to be exploited for the profit of greedy, absorbing, and monopolistic corporations or syndicates. Whatever the attempts which have been made, no one, as a matter of fact, has secured in Alaska any undue privilege or franchise not completely under the control of Congress. I am in full agreement with the view that every care, both in administration and in legislation, must be observed to prevent the corrupt or unfair acquisition of undue privilege, franchise, or right from the Government in that district. But everyone must know that the resources of Alaska can never become available either to the people of Alaska or to the public of the United States unless reasonable opportunity is granted to those who would invest their money to secure a return proportionate to the risk run in the investment and reasonable under all the circumstances.

On the other hand, the acrimony of spirit and the intense malice that have been engendered in respect of the administration of the government in Alaska and in the consideration of measures proposed for her relief and the wanton recklessness and eagerness with which attempts have been made to besmirch the characters of high officials having to do with the Alaskan government, and even of persons not in public life, present a condition that calls for condemnation and requires that the public be warned of the demoralization that has been produced by the hysterical suspicions of good people and the unscrupulous and corrupt misrepresentations of the wicked. The helpless state to which the credulity of some and the malevolent scandal-mongering of others have brought the people of Alaska in their struggle for its development ought to give the public pause, for until a juster and fairer view be taken, investment in Alaska, which is necessary to its development, will be impossible, and honest administrators and legislators will be embarrassed in the advocacy and putting into operation of those policies in regard to the Territory which are necessary to its progress and prosperity.

WILLIAM H. TAFT.

SPECIAL MESSAGES.

[Transmitting authenticated copies of the treaties between the United States and Great Britain and France, negotiated August 3, 1911.]

THE WHITE HOUSE, *August 4, 1911.*

To the Senate:

With a view to receiving the advice and consent of the Senate to the ratification of the treaty, I transmit herewith an authenticated copy of a treaty signed by the plenipotentiaries of the United States and Great Britain on August 3, 1911, extending the scope and obligation of the policy of arbitration adopted in the present arbitration treaty of April 4, 1908, between the two countries, so as to exclude certain exceptions contained in that treaty and to provide means for the peaceful solution of all questions of difference which it shall be found impossible in future to settle by diplomacy.

WILLIAM H. TAFT.

THE WHITE HOUSE, *August 4, 1911.*

To the Senate:

With a view to receiving the advice and consent of the Senate to the ratification of the treaty, I transmit herewith an authenticated copy of a treaty signed by the plenipotentiaries of the United States and France on August 3, 1911, extending the scope and obligation of the policy of arbitration adopted in the present arbitration treaty of February 10, 1908, between the two countries, so as to exclude certain exceptions contained in that treaty and to provide means for the peaceful solution of all questions of difference which it shall be found impossible in future to settle by diplomacy.

WILLIAM H. TAFT.

[NOTE: The treaties with Great Britain and France, which were transmitted with the two messages of August 4, 1911, differed from previous pacts having for their purpose the arbitration of international controversies by frankly including in the differences susceptible of adjudication even questions involving national honor, theretofore the most elastic pretexts of war. An idea of the character of the treaties (which were the same in each case) may best be obtained by following the steps provided for therein in a supposititious case of an act contrary to the Monroe Doctrine on the part of Great Britain. Even though such an injury to our national pride aroused a fervor throughout the country as passionate as the popular sentiment that forced the government to declare war in 1898, and even though public opinion and the administration were united in the belief that the question was not properly subject to arbitration, yet would we be bound by the treaty to request Great Britain, through diplomatic channels, to appoint three members to constitute with three American members the Joint High Commission of Inquiry provided for by the treaty. Either party might, according to the treaty, postpone-convening the Commission until one year from the date of our request, thus affording opportunity for warlike preparations, for diplomatic negotiations, or for moderate counsels, as the case might be; but if neither party desired such postponement the Commission would convene immediately. The six Joint High Commissioners would hear the two sides of the controversy, subpœna and administer oaths to witnesses, and make a report which should elucidate the facts, define the issues, and contain such recommendations as it may deem appropriate. This report would not be considered as a decision on the facts or the law, and, if five or all of the six Commissioners considered the matter properly subject to adjudication, the controversy would, under the treaty, go to some arbitral tribunal like that at The Hague for settlement, no matter whether or not the people of both countries were unanimous in demanding war.]

VETO MESSAGE.

[Returning without approval an act revising the schedule of duties on wool and wool manufactures contained in the tariff law of 1909.]

THE WHITE HOUSE, *August 17, 1911.*

To the House of Representatives:

I return without my approval House bill No. 11,019 with a statement of my reasons for so doing.

SIGNING THE BRITISH-AMERICAN TREATIES OF 1911

SIGNING THE BRITISH-AMERICAN ARBITRATION TREATIES

August, 1911

The peace pact between Great Britain and the United States, the signing of which is here illustrated, provides that all questions and disputes, even those affecting the national honor, shall be submitted to arbitration.

The negotiations came about as a result of Mr. Taft's declaration that the United States would consider the making of such a pact with any nation that so desired, in the interest of world-peace. A report of his speech was flashed across the cables to England, and the next day in Parliament the British Foreign Minister made it the subject of an address in which he indicated his Government's willingness to open negotiations. The Treaty, being so novel in purpose, was difficult to draw, and some months elapsed before the diplomats laid the finished product on the table in the President's study, where Ambassador Bryce and Secretary of State Knox, in the presence of the President, simultaneously signed the document for their respective Governments.

A fuller account of this negotiation, which is universally regarded as the longest step ever made in the direction of world-peace, is given in the article entitled "Great Britain, Treaties with," in the Encyclopedic Index.

The bill is an amendment of the existing tariff law, and readjusts the customs duties in what is known as Schedule K, embracing wool and the manufactures of wool.

I was elected to the Presidency as the candidate of a party which in its platform declared its aim and purpose to be to maintain a protective tariff by " the imposition of such duties as will equal the difference between the cost of production at home and abroad, together with a reasonable profit to American industries." I have always regarded this language as fixing the proper measure of protection at the ascertained difference between the cost of production at home and that abroad, and have construed the reference to the profit of American industries as intended, not to add a new element to the measure stated or to exclude from the cost of production abroad the element of a manufacturer's or producer's profit, but only to emphasize the importance of including in the American cost a manufacturer's or producer's profit reasonable according to the American standard.

In accordance with a promise made in the same platform I called an extra session of the Sixty-first Congress, at which a general revision of the tariff was made and adopted in the Payne bill. It was contended by those who opposed the Payne bill that the existing rates of the Dingley bill were excessive and that the rates adopted in the revising statute were not sufficiently reduced to conform to the promised measure.

The great difficulty, however, in discussing the new rates adopted was that there were no means available by which impartial persons could determine what, in fact, was the difference in cost of production between the products of this country and the same products abroad. The American public became deeply impressed with the conviction that, in order to secure a proper revision of the tariff in the future, exact information as to the effect of the new rates must be had, and that the evil of logrolling or a compromise between advocates of different protected industries in fixing duties could be avoided, and the interest of the consuming public could be properly guarded, only by revising the tariff one schedule at a time.

To help these reforms for the future, I took advantage of a clause in the Payne tariff bill enabling me to create a tariff board of three members and directed them to make a glossary and encyclopædia of the terms used in the tariff and to secure information as to the comparative cost of production of dutiable articles under the tariff at home and abroad. In my message to Congress of December 7, 1909, I asked a continuing annual appropriation for the support of the board and said:

> I believe that the work of this board will be of prime utility and importance whenever Congress shall deem it wise again to readjust the customs duties. If

the facts secured by the Tariff Board are of such a character as to show generally that the rates of duties imposed by the present tariff law are excessive under the principles of protection as described in the platform of the successful party at the late election, I shall not hesitate to invite the attention of Congress to this fact and to the necessity for action predicated thereon. Nothing, however, halts business and interferes with the course of prosperity so much as the threatened revision of the tariff, and until the facts are at hand, after careful and deliberate investigation, upon which such revision can properly be undertaken, it seems to me unwise to attempt it. The amount of misinformation that creeps into arguments pro and con in respect to tariff rates is such as to require the kind of investigation that I have directed the Tariff Board to make, an investigation undertaken by it wholly without respect to the effect which the facts may have in calling for a readjustment of the rates of duty.

A popular demand arose for the formal creation by law of a permanent nonpartisan tariff commission. Commercial bodies all over the country united in a movement to secure adequate legislation for this purpose and an association with a nation-wide constituency was organized to promote the cause. The public opinion in favor of such a commission was evidenced by resolutions adopted in 1909 and 1910 by Republican State conventions in at least twenty-eight States.

In addition, efforts were made to secure a change in the rules of procedure in the House and Senate with a view to preventing the consideration of tariff changes except schedule by schedule.

The business of the country rests on a protective-tariff basis. The public keenly realized that a disturbance of business by a change in the tariff and a threat of injury to the industries of the country ought to be avoided, and that nothing could help so much to minimize the fear of destructive changes as the known existence of a reliable source of information for legislative action. The deep interest in the matter of an impartial ascertainment of facts before any new revision, was evidenced by an effort to pass a tariff-commission bill in the short session of the Sixty-first Congress, in which many of both parties united. Such a bill passed both Houses. It provided a commission of five members, to be appointed by the President, not more than three of whom were to belong to the same party, and gave them the power and made it their duty to investigate the operation of the tariff, the comparative cost of production at home and abroad, and like matters of importance in fixing the terms of a revenue measure, and required them to report to the Executive and to Congress when directed. Several, not vital, amendments were made in the Senate, which necessitated a return of the bill to the House, where, because of the limited duration of the session, a comparatively small minority were able to prevent its becoming a law.

On the failure of this bill, I took such steps as I could to make the Tariff Board I had already appointed a satisfactory substitute for the proposed tariff commission. An appropriation of $225,000, to continue the work until June 30, 1912, had been granted by Congress in the alternative, to be applied to the board I had appointed, unless a tariff commission bill was passed. In this appropriation bill the non-partisan tariff commission, if created and appointed, was directed to make a report on Schedule K by December 1, 1911. Accordingly I added two members to the Tariff Board from the opposition party, and directed the board to make report on Schedule K by December 1st next. The board differs in no way from the tariff commission as it would have been, except in its power to summon witnesses; and I am advised by the members of the board that, without this power, they have had no difficulty in securing the information they desire.

The board took some months to investigate the methods pursued in other countries in procuring information on tariff subjects and to organize its force. In October, 1910, its work of investigation began with a force of forty that has now increased to eighty. In addition to the "glossary," which is near completion, and other work connected with furnishing information in connection with the enforcement of the maximum and minimum clause of the Payne Tariff Act, and in respect to the Canadian reciprocity measure, its attention has been especially directed to comparative cost under Schedule K (wool and woolens), under Schedule M (paper and pulp), and under Schedule I (cotton manufactures). The report on Schedule M (pulp and paper) has already been sent to Congress. Full reports on wool and cotton will be submitted to Congress in December. I have also directed an investigation into the metal and leather schedules, the results of which it is hoped can be submitted to Congress at its first regular session in time to permit their consideration and legislative action, if necessary.

The organization known as the Tariff Commission Association, made up of representatives of substantially all the commercial bodies of the country, for the purpose of securing the establishment of a permanent tariff commission, applied to me for an opportunity to investigate the methods pursued by the Tariff Board. This I was glad to grant, and a very full report of the competent committee of that association concluded as follows:

> In conclusion, our committee finds that the Tariff Board is composed of able, impartial, and earnest men, who are devoting their energies unreservedly to the work before them; that the staff has been carefully selected for the work in view, is efficiently organized and directed, and includes a number of exceptionally competent technical experts; * * * that the work of the board, vast and intricate in detail, is already highly organized, well systematized, and running smoothly; and that Congress and the people can now await the completion of that work with entire confidence, that it is progressing as rapidly as consistent with proper thoroughness, and that it will amply justify all of the

> time and expense which it entails. We believe that the value of the work when completed will be so great and so evident as to leave remaining no single doubt as to the expediency of maintaining it as a permanent function of the Government for the benefit of the people.

I have thus reviewed the history of the movement for the establishment of a tariff commission or board in order to show that the real advance and reform in tariff making are to be found in the acquiring of accurate and impartial information as to the effect of the proposed tariff changes under each schedule before they are adopted, and further to show that if delay in the passage of a bill to amend Schedule K can be had until December, Congress will then be in possession of a full and satisfactory report upon the whole schedule.

This brings me to the consideration of the terms of the bill presented for my approval. Schedule K is the most complicated schedule in the tariff. It classifies raw wool with different rates for different classes; it affords the manufacturer what is called a compensatory duty to make up for the increased price of the raw material he has to use due to the rate on raw wool, and for the shrinkage that takes place in scouring the wool for manufacture; and it gives him, in addition, an ad valorem duty to protect him against foreign competition with cheap labor. The usages which prevail in scouring the wool, in making the yarn, and in the manufacture of cloth present a complication of technical detail that prevents anyone, not especially informed concerning wool growing and manufacture, from understanding the schedule and the effect of changes in the various rates and percentages.

If there ever was a schedule that needed consideration and investigation and elaborate explanation by experts before its amendment, it is Schedule K. There is a widespread belief that many rates in the present schedule are too high and are in excess of any needed protection for the wool grower or manufacturer. I share this belief and have so stated in several public addresses. But I have no sufficient data upon which I can judge how Schedule K ought to be amended or how its rates ought to be reduced, in order that the new bill shall furnish the proper measure of protection and no more. Nor have I sources of information which satisfy me that the bill presented to me for signature will accomplish this result. The parliamentary history of the bill is not reassuring upon this point. It was introduced and passed in the House as providing a tariff for revenue only and with the avowed purpose of departing from a protective-tariff policy. The rate of duty on raw wools of all classes was changed from a specific duty of eleven cents a pound to 20 per cent ad valorem. On the average for the importations for the last two years this is a reduction from 47.24 per cent to 20 per cent. Rates on cloths were reduced in the bill from the present average duty of 97.27 per cent to 40 per cent, and on wearing apparel from 81.31 per cent to 45 per cent. The bill was defeated in the Senate, and so was a substitute introduced as a protection measure. The proposed substitute fixed the duty on raw wool, first class, at 40 per cent, and on a second class of carpet wools at 10 per cent, and on cloths at 60 per cent, and on wearing apparel at the same rate. On reconsideration, a compromise measure was passed by the Senate, which was a compromise between the House bill and the Senate substitute bill, and in which the rate on first-class wool was fixed at 35 per cent, on carpet wools 10 per cent, and on cloth and wearing apparel 55 per cent. In conference between the two Houses the rate on all classes of raw wool was fixed at 29 per cent, this being an increase on carpet wools of 9 per cent as fixed in the House bill and of 19 per cent as fixed in the Senate bill. The conference rate on cloths and wearing apparel was fixed at 49 per cent. No evidence as to the cost of production here or abroad was published, and the compromise amendment in the Senate was adopted without reference to or consideration by a committee.

I do not mention these facts to criticize the method of preparation of the bill; but I must needs refer to them to show that the congressional proceedings make available for me no accurate or scientifically acquired information which enables me to determine that the bill supplies the measure of protection promised in the platform on which I was elected.

Without any investigation of which the details are available, an avowed tariff-for-revenue and antiprotection bill is by compromise blended with a professed protection bill. Rates between those of the two bills are adopted and passed, except that, in some important instances, rates are fixed in the compromise at a figure higher, and in others at a figure lower, than were originally fixed in either House. The principle followed in adjusting the amendments of existing law is, therefore, not clear, and the effect of the bill is most uncertain.

The Wilson Tariff Act of 1894, while giving the manufacturer free wool, provided as high duties on leading manufactures of wool as does the present bill, which at the same time taxes the manufacturer's raw material at twenty-nine per cent. Thus the protection afforded to manufacturers under the Wilson bill was very considerably higher than under the present bill.

During the years in which the Wilson bill was in force the woolen manufacturers suffered. Many mills were compelled to shut down. These were abnormal years, and it is not necessary to attribute the hard times solely to the tariff act of 1894. But it was at least an addition to other factors operating to injure the woolen business. It is the only experience we have had for a generation of a radical revision of this schedule, and, without exaggerating its importance, one pledged to a moderate protection policy may well hesitate before giving approval without full information to legislation which makes a more radical reduction in the protection actually afforded to manufacturers of wool than did the Wilson Act. Nor does this hesitation arise only for fear of injury to manufacturers. Unless manufacturers are able to continue their business and buy wool from domestic woolgrowers the latter will have no benefit from the tariff that is supposed to protect them, because they will have to sell in competition with foreign wools or send their sheep to the shambles. Hence the woolgrower is as much interested in the protection of the manufacturer as he is in his own.

It may well be that conditions of manufacture in this country have changed so as to require much less protection now for the manufacturers than at the time of the Wilson bill; but in view of the possible wide suffering involved by hasty action based on insufficient knowledge, the wise course, in my judgment, is to postpone any change for a few months needed to complete the pending inquiry.

When I have the accurate information which justifies such action, I shall recommend to Congress as great a reduction in Schedule K as the measure of protection, already stated, will permit. The failure of the present bill should not be regarded, therefore, as taking away the only chance for reduction by this Congress.

More than a million of our countrymen are engaged in the production of wool and the manufacture of woolens; more than a billion of the country's capital is invested in the industry. Large communities are almost wholly dependent upon the prosperity of the wool grower and the woolen manufacturer. Moderately estimated, 5,000,000 of the American people will be injuriously affected by any ill-advised impairment of the wool and woolen industries. Certainly we should proceed prudently in dealing with them upon the basis of ascertained facts rather than hastily and without knowledge to make a reduction of the tariff to satisfy a popular desire, which I fully recognize, for reduction of duties believed to be excessive. I have no doubt that if I were to sign this bill, I would receive the approval of very many persons who favor a reduction of duties in order to reduce the cost of living whatever the effect on our protected industries, and who fail to realize the disaster to business generally and to the people at large which may come from a radical disturbance of that part of business dependent for its life on the continuance of a protective tariff. If I fail to guard as far as I can the industries of the country to the extent of giving them the benefit of a living measure of protection, and business disaster ensues, I shall not be discharging my duty. If I fail to recommend the reduction of excessive duties to this extent, I shall fail in my duty to the consuming public.

There is no public exigency requiring the revision of Schedule K in August without adequate information, rather than in December next with such information. December was the time fixed by both parties in the last Congress for the submission of adequate information upon Schedule K with a view to its amendment. Certainly the public weal is better preserved by delaying ninety days in order to do justice, and make such a reduction as shall be proper, than now blindly to enact a law which may seriously injure the industries involved and the business of the country in general.

WILLIAM H. TAFT.

VETO MESSAGE.

[Returning without approval an act removing all duties on articles in the metal, cotton, wool and leather schedules of the tariff law of 1909.]

THE WHITE HOUSE, *August 18, 1911.*

To the House of Representatives:

I return, without my approval, House bill 4413, entitled—

> "An Act to place on the free list agricultural implements, cotton bagging, cotton ties, leather, boots and shoes, fence wire, meats, cereals, flour, bread, timber, lumber, sewing machines, salt, and other articles."

This free list covers articles in the metal schedule, the cotton schedule, the wool schedule, and the leather schedule. In a special message returning, without my approval, the wool bill, I have set forth at length the reasons why I think all general amendments to the existing tariff laws should be postponed until accurate and scientific information can be submitted to Congress by a Tariff Board appointed for the purpose of investigating the question of the difference in cost of production of dutiable articles at home and abroad. The same reasons which impelled me to decline to sign the wool bill control me in this case. There are other reasons apparent on the face of the bill, taken in connection with the existing law, which make it unwise to allow this bill to pass.

The bill is so carelessly drawn that it would inevitably lead to the greatest uncertainty as to what articles are or are not covered by its various provisions. This would impose a heavy burden on the administrative branch of the Government, create disastrous uncertainty in commercial circles, and lead to a burdensome amount of litigation. The bill, while apparently very simple and affecting only a few articles, is in reality so loose in its phraseology that it would affect hundreds of items in the existing tariff act. Conceding the wisdom of its general policy, the paragraphs of the bill ought to be rewritten in definite and specific terms.

Take the expression in the first clause, following the specific mention of agricultural implements, "all other agricultural implements of any kind and description, whether specifically mentioned herein or not, whether in whole or in parts, including repair parts." This language is so sweeping that it might be made to cover almost 150 articles used in agriculture, which would affect many sections of the present tariff, and lead to the most injurious uncertainty. Furthermore, it would make it possible to import free many materials now paying a duty, when roughly fashioned into the form of parts of farm implements but actually intended for entirely different uses.

Again, take the general expression in the second clause, the bagging clause, "other material suitable for bagging or sacking agricultural products." It is a serious question whether this section might not be interpreted to make radical changes in many sections of Schedules I (cotton), J (jute and hemp), and K (wool), and it would undoubtedly be open to the same objection of allowing free entry to a large amount of textile manufactures, technically suitable for sacking agricultural products, but intended for entirely different purposes.

Another clause that calls for comment is in the leather paragraph, which reads as follows: "Leather cut into shoe uppers or vamps or other forms suitable for conversion into manufactured articles." The history of this clause is informing as to the method of drafting the bill. The phraseology is found in a proviso at the end of paragraph 451 of the existing tariff. The whole paragraph imposes various duties on different kinds of leather, including many more varieties than are made free by this bill, and the language of the proviso is used in the existing law to impose an additional ad valorem duty on all such leather when cut into forms for further manufacture. The draftsman of the bill now before me took this language, struck out the 10 per cent ad valorem, and left the preceding descriptions of leather out of which the forms were to be cut, dutiable as under the present law. The result is that calfskins tanned, kangaroo, sheep and goat skins, dressed and finished, bookbinders' calfskins, chamois skins, patent and enameled leather, pianoforte leather, and other varieties of leather, when uncut, would pay, under the proposed bill if it became a law, duties ranging from the equivalent of 40 per cent ad valorem down; while the cut forms of such leather would come in free. This imposes a penalty on the domestic labor of cutting and would transfer half the process in the industry of shoemaking and glove making to foreign countries. The result is so unreasonable as to suggest great haste in preparation.

Another clause equally full of difficulty is that admitting free, "Barbed fence wire, wire rods, wire strands, or wire rope, wire woven or manufactured for wire fencing, and other kinds of wire suitable for fencing, including wire staples." This section seems to be drawn with the idea of giving free wire for fencing purposes, but is so loosely worded that it might be taken to include also the highest grades of wire rods and wire rope. This is especially true, because wire rope is never used for fencing, and the words "wire rods, wire strands, or wire rope" are separated by commas from the rest of the section, and it is difficult, with the collocation of terms here used, and in face of the fact that wire rope is not used for fencing at all, to limit "wire rods, strands and rope" here made free to something suitable for fencing.

The truth is that the language of the act is so ambiguous and possibly all-embracing that it is impracticable for the Treasury Department to give an exact estimate as to the diminution in revenue which will follow its passage. The estimates vary all the way from $10,000,000 to $14,000,000, according to the varieties of construction put upon the act and this, although when the bill was first under consideration it was publicly stated by its advocates that the reduction in revenue would not exceed $1,500,000.

The difficulty with the bill is that in the sections above referred to it purports to secure a free list for the benefit of a certain class of users; but to classify articles by their use or their suitability for a certain use is so contrary to the methods of classification in the existing tariff law that its adoption would create the utmost confusion. The danger is not so much that the class of users in whose favor the classification purports to be made will receive more benefit than the framers of the law may have intended, but it is that many who do not belong to the class intended to be favored will import articles suitable for the prescribed use under the general terms of the statute, but will use them for other and general purposes. The effect will be to break down altogether the classification upon which the arrangement in many of the present tariff schedules is based. If there were no other reason for withholding my approval from this bill, this one would be all-sufficient.

But there is another, and a very important, reason why the bill ought not to become a law, and that is that in many instances it adopts the principle, rarely permitted in any revenue system, on whatever theory constructed, by which the finished product is made free from duty, and the raw material and the machinery necessary for its production are kept on the dutiable list. Even the most extreme free trader, or advocate of tariff for revenue only, has never before sought an adjustment of the duties which subjects the manufacturer to a burden in his manufacture by imposing a duty on the machinery and raw material he uses, and involves him in unrestricted foreign competition as to the finished product. This is true with reference to leather and shoes, with reference to material for bagging, with reference to cotton ties, and wire for baling and for fencing, and indeed for the agricultural implements included in the catch-all clause to which I have referred.

A third objection to the bill is that, without in fact reducing the price to the consumer of the articles admitted free in a number of the paragraphs, it gives an advantage to Canada, our neighbor on the north, which by withholding we might well use in the future to secure further concessions for us in the reciprocity agreement, which the present Congress has requested me to expand.

Let me give the instances: Agricultural implements specifically mentioned in the bill are shown by a report of the Bureau of Trade Relations of the State Department to be cheaper in this country than anywhere in the world. This is confirmed by the fact that under existing law all countries admitting our agricultural implements free can have free access to our markets for the same articles. Great Britain is the only country whose present laws entitle her to this privilege, and which exports such articles in great quantity and yet she exports practically none to this country. We urged Canada to consent to free trade in these articles in the reciprocity agreement, but she declined. Now it is proposed to give her free trade in them while she retains a duty of 15 per cent ad valorem on our agricultural implements. To admit her manufactures will not lower our prices, but it is giving her access to our markets for nothing, while we might use this privilege to secure some concession from her.

The same thing is true of that part of the present bill in which meat and flour are put on the free list for countries with whom we have a reciprocal agreement, and which receive free our agricultural products. This limits the admission of free meat and flour to Canada only. Meat in Canada and flour in Canada are as high as they are in the United States, and in many instances higher. We asked to have free trade in these two articles under the reciprocity agreement, but Canada declined, for the reason that she feared the effect of the competition of our meat packers and our flour mills with her packers and millers.

Now it is proposed to open this market to the Canadian packers and millers without our having access to the Canadian market. Such action will not reduce the price of meat or flour in this country. That is shown by the fact that they were afraid of our competition. In normal times their importations will have no effect on our markets, and hence the admission from Canada of meat and flour will be of practically no benefit to the consumer, but will offer an inducement to capitalists thinking of building mills or packing houses to put them on the Canadian side of the border where they can have the advantage of both markets free. This is another instance in which the bill takes away from the President, in dealing with the matter of reciprocity, something that he might use in a trade to induce further reciprocity.

Another instance is in reference to the more finished kinds of lumber. Under our reciprocity agreement, rough lumber enters both countries free. Canada imposes 25 per cent duty on the more finished article, and we impose a duty of a different amount. If, now, we take off all duty on the finished product, we are giving her our market in this lumber for nothing, while we do not secure the benefit of hers; and we give to her Provinces a very strong motive for imposing restrictions and limitations on the cutting and export of rough lumber to this country in order to induce the transfer of the whole lumber manufacturing industry to Canada.

I withhold my approval from this bill, therefore, for the reasons, first, because it should not be considered until the Tariff Board shall make report upon the schedules it affects; second, because the bill is so loosely drawn as to involve the Government in endless litigation and to leave the commercial community in disastrous doubt; third, because it places the finished product on the free list, but retains on the dutiable list the raw material and the machinery with which such finished product is made, and thus puts at a needless disadvantage our American manufacturers; and fourth, that while purporting, by putting agricultural implements, meat, and flour on the free list, to reduce their price to the consumers, it does not do so, but only gives to Canada valuable concessions which might be used by the Executive to expand reciprocity with that country in accordance with the direction of Congress.

WILLIAM H. TAFT.

SPECIAL MESSAGE.

[Regarding salvage of wrecks of Spanish battleships in Cuban waters.]

THE WHITE HOUSE, *August 21, 1911.*

To the Senate and House of Representatives:

I transmit herewith a report by the Acting Secretary of State concerning the ownership of the wrecks of the Spanish vessels which were destroyed by the American fleet off Santiago de Cuba.

It appears that a Norwegian company has applied to the Cuban Government for permission to raise these wrecks and that before considering the proposition the Cuban Government desires to receive the views of the United States in regard thereto.

The Navy Department has no objection to the proposed salvage operations, but the Department of State holds the view that these wrecks are public property of the United States, which may be alienated only by an act of Congress or by a convention having the force of law.

The matter is therefore submitted to the Congress in accordance with the recommendation of the Acting Secretary of State, with a view to its considering whether the President shall be authorized to relinquish to Cuba all right and claim of right of the United States to these wrecks.

WILLIAM H. TAFT.

SPECIAL MESSAGE.

[Recommending appropriation for prosecution of work of removing the wreck of the *Maine*.]

THE WHITE HOUSE, *August 21, 1911*.

To the Senate and House of Representatives:

On July 26, 1911, there was transmitted to the Congress by my direction a report by the Acting Chief of Engineers, inclosing a report of the board charged "with the work of raising or removal of the wreck of the battleship *Maine* in Habana Harbor." Since that date the Secretary of War, at my request, has visited Habana Harbor and personally inspected the wreck, and has reported to me the result of his inspection and conference with the said board of engineers in charge in Habana. I transmit herewith his report, with the accompanying documents.

I concur fully in the conclusions which the Secretary of War has reached and in the recommendations which he makes in respect of an additional appropriation for this work in order that nothing may remain undone to enable the world to know the original cause of the explosion of the *Maine*. Of course if it shall turn out that the most thorough excavation will not disclose the cause we must be content, but as long as there remains unexcavated any portion of the mud and débris within the wreck or its neighborhood from which evidence may be had of the original cause of the disaster, we shall be derelict in our duty in not prosecuting a further search. The issue is not now whether we ought originally to have begun this investigation, but it is whether, having expended a very large part of the necessary amount to do the full work, we ought to break it off for lack of a comparatively small additional appropriation.

I earnestly hope that Congress will take immediate action in this regard, as recommended by the Secretary of War.

WILLIAM H. TAFT.

VETO MESSAGE.

[Returning without approval an act reducing the duties on cotton manufactures, chemicals, oils, paints and metals.]

THE WHITE HOUSE, *August 22, 1911.*

To the House of Representatives:

I return, without my approval, H. R. 12812, entitled "An act to reduce the duties on manufactures of cotton."

Though its title mentions only manufactures of cotton, the bill in fact changes also all the duties imposed under Schedule A of the Payne Act upon chemicals, oils, and paints, and under Schedule C upon metals and manufactures of metals.

My objection to the cotton schedule is that it was adopted without any investigation or information of a satisfactory character as to the effect which it will have upon an industry of this country in which the capital invested amounted in 1909 to $821,000,000; the value of the product to $629,000,000; the number of wage earners to 379,000, making, with dependents, a total of at least 1,200,000 persons affected; and the wages paid annually amounted to $146,000,000. The bill would not go into effect by its terms until January 1 next, and before that time a full report to be submitted to Congress by the Tariff Board, based upon the most thorough investigation, will show the comparative cost of all the elements of production in the manufacture of cotton in this and other countries. The investigation by the Committee on Ways and Means of the House did not cover the facts showing this comparative cost, for the reason that the committee was preparing a bill on a tariff for revenue basis and their view of a proper tariff was avowedly at variance with the theory of protection. Pledged to support a policy of moderate protection, I can not approve a measure which violates its principle.

Coming now to the amendments to Schedules A and C, I have examined the records of Congress for the purpose of informing myself as to the facts and arguments which in the opinion of Congress make these changes in the law expedient. I find that there was practically no consideration of either schedule by any committee of either House. There was no report of any committee explaining or stating the basis of the proposed amendments. There were no facts presented to either House in which I can find material upon which to form any judgment as to the effect of the amendments either upon American industries or upon the revenues of the Government. The revisions of Schedules A and C were contained in amendments offered upon the floor of the Senate, were never referred to any committee, and were disposed of without any attempt to adjust the details or to furnish the basis of fact for adjusting the details of the different paragraphs to the great number or variety of industries to be affected, with a view to any degree of protection whatever, however moderate. I can not make myself a party to dealing with the industries of the country in this way.

The industries covered by metals and the manufacture of metals are the largest in the country, and it would seem not only wise but absolutely essential to acquire accurate information as to the effect of changes which may vitally affect these industries before enacting them into law.

The haste in the preparation of the bill is apparent in many of its pages. Section 3 of the bill reads as follows:

> SEC. 3. That on and after the day when this act shall go into effect all goods, wares, and merchandise previously imported and hereinbefore enumerated, described, and provided for, for which no entry has been made, and all such goods, wares, and merchandise previously entered without payment of duty and under bond for warehousing, transportation, or any other purpose, for which no permit of delivery to the importer or his agent has been issued, shall be subjected to no other duty upon the entry or withdrawal thereof than the duty which would be imposed if such goods, wares, or merchandise were imported on or after that date: *Provided, however,* That if the duties above provided to be collected and paid shall, as to any article or articles, be greater than that provided to be paid by the present existing law, less thirty per centum, then in every such case the duty or duties which are hereby levied and which shall be collected and paid on said article or articles shall be a sum equal to the duties provided to be levied, collected, and paid by the present existing law less thirty per centum and not greater.

The first part of section 3, without the proviso, was original section 2 of the bill when it affected only the cotton schedule. It is now placed in the bill after the amendments to the chemical schedule. The proviso was added in the Senate. The proviso was doubtless intended to make certain that the duties in the preceding cotton and chemical schedules were all to be 30 per cent less than the rates fixed in the present law. But this can not be. The proviso is so placed in section 3 that it has no operation except upon the rates to be charged on articles described in the first half of section 3—that is, on the goods already entered or in bond or transportation and which have not paid duty. This would give, over all chemicals now in bond not taken out before the law goes into effect, the benefit of a greater reduction by 5 per cent than would be afforded to chemicals imported after the passage of the act. The result is an inevitable construction and in its manifest error is not out of keeping with some of the other features of the bill to which I am now about to refer.

Even if the proviso effects the purpose evidently intended by the authors of limiting the rates of the whole cotton and chemical schedules, it is legislation of the crudest character, for two reasons: It imposes on customs officers in every entry under those schedules the burden of transmuting the specific rates of the Payne Act to ad valorem rates under the proposed bill, a process which is most difficult and liable to error; secondly, it imposes a duty of 5 per cent less than the duty intended in the whole of the preceding chemical schedule, and furnishes a unique instance in tariff legislation of imposing two different rates of duties on the same articles in succeeding paragraphs of the same bill.

The empirical and haphazard character of this bill is shown more clearly perhaps in the amendment to Schedule A than in any other. The only explanation of it was made when introduced as an amendment. It was then said to be a horizontal reduction of the existing chemical schedule by one-fourth or 25 per cent of the present duties. It was said that the specific duties in the existing law had been transmuted into their equivalent ad valorem and that the result had been reduced by 25 per cent. The method used in reaching this equivalent was quite inaccurate, as is shown by actual inquiry as to the real market price of each article. An examination made by an expert chemist of the Tariff Board into certain paragraphs of the schedule and verified by customs experts of the Treasury Department shows discrepancies in the alleged 25 per cent reduction of rates and gives ground for believing that if time permitted, a close and careful analysis of all the paragraphs would show many others. Instead of a horizontal reduction of 25 per cent this examination shows that the reductions made by the amendment in some paragraphs are much greater than 25 per cent and that in others the change is a substantial increase instead of a reduction of the present duties.

Thus boracic acid is dutiable under the present law at 3 cents per pound. The amendment imposes a duty of 60 per cent ad valorem. At the foreign price of 6 to 6½ cents per pound the amended rate would be from 3.6 to 3.9 cents per pound, or an actual increase in the duty under the present law of from 20 to 30 per cent. Tartaric acid under the amendment has a duty of 4 per cent higher than that of existing law. Alum under the amendment has a rate of 10 per cent higher than existing law. Bleaching powder has a rate under the amendment that is 30 per cent higher than the existing rate. Zinc oxide has an increase of rate in the amendment of 95 per cent over that of existing law. On the other hand, we find in other cases a greater reduction than the proposed 25 per cent. Thus borax is given a rate in the amendment which is a reduction of 80 per cent below the existing rate, while commercial chloroform in the amendment has a reduction of 90 per cent from the present rate. Hydrate, or caustic soda, is given a rate in the amendment which is a 50 per cent reduction from the present rate. A curious result appears in the rate fixed for alumina hydrate containing less than 64 per cent of alumina, and the same containing more of alumina. The latter is a finished product as compared with the former, but the latter in the amendment is given a duty of only 5 per cent, while the raw and unfinished product has a rate of 15 per cent ad valorem.

These are some of the typical inconsistencies and instances of haste in preparation and of the error of calculation in the proposed sweeping horizontal reduction of a most important schedule in the tariff. The 85 paragraphs of Schedule A do not refer to the various manufactured forms of one or more materials. Each paragraph relates to a different subject, the duty on which, both with reference to its revenue-producing capacity and with reference to its protecting effect upon an industry of this country, ought to be determined by separate examination, and the taking of careful evidence of experts, because the subject is peculiarly one for experts. The figures I have given show that the method pursued in making what was thought to be a reduction of 25 per cent would, if it became the law, produce the greatest confusion in respect to the whole chemical schedule.

But the most remarkable feature of this amendment to the chemical schedule remains to be stated. The internal revenues of this country to the extent of $160,000,000 are dependent on the imposition of a tax of $1.20 a gallon on distilled spirits at 100 degrees proof, which is a liquid consisting of 50 per cent absolute alcohol and 50 per cent water. The intrinsic cost of spirits of this proof varies from 10 to 20 cents a gallon, so that the enormous tax as compared with the intrinsic value of the article furnishes a motive for fraud and evasion of the laws stronger than in the case of any commodity within the range of Federal taxation. It has therefore been necessary in all customs legislation to protect the internal-revenue system against the introduction from foreign countries of alcohol in any form and in association with any other article except upon the payment of such a customs duty as shall make it unprofitable to import the alcohol into this country to be used in competition with alcohol or distilled spirits of domestic manufacture. The customs duty on a proof gallon of alcohol is $2.25. The care and anxious concern with which Congress has heretofore guarded against the introduction of alcohol in any form without the payment of sufficient duty to prevent its interfering with our domestic production and the payment of the internal tax may be seen in at least ten paragraphs of the chemical schedule of the Payne law and previous enactments:

Thus, in paragraph 2 of the existing law it is provided that vegetable, animal, or mineral objects, immersed or placed in or saturated with alcohol shall have a duty of 60 cents per pound and 25 per centum ad valorem, and the same duty is imposed in that paragraph on alcoholic compounds not specially provided for. Sixty cents a pound is equivalent to 60 cents a pint of the alcohol or distilled spirits used at proof, and this is equivalent to $4.80 a gallon for alcohol, which of course prevents its importation for any purpose other than as specified in the paragraph.

Again, in paragraph 3, chemical compounds containing alcohol and chemical mixtures containing alcohol have a duty of 55 cents per pound, which would protect the domestic alcohol by a duty of $4.40 a gallon.

The same thing is true in paragraph 65, covering medicinal preparations containing alcohol, or any preparations in which alcohol is used. These have a duty of 55 cents per pound, which would impose a duty on the alcohol used of at least $4.40 a gallon.

Again, on perfumes, including cologne and other toilet waters containing alcohol or in the preparation of which alcohol is used, there is a duty of 60 cents per pound and 50 per cent ad valorem, by which the domestic alcohol used in American-made perfumes is protected by a tax of $4.80.

Under the present bill, all these precautions against the undue introduction of foreign alcohol in articles and compounds included in the chemical schedule are in fact abolished by striking out the specific duties per pound. Thus in paragraph 2, the specific duty per pound is stricken out and the whole rate is fixed at 50 per cent ad valorem. In paragraph 3, there is a similar change; in paragraph 65, the change is to 45 per cent ad valorem; and in paragraph 69, to 60 and 50 per cent ad valorem. With alcohol at a foreign cost of 20 cents a gallon, this would make the tax, so far as the alcohol is concerned in paragraph 2, 10 cents a gallon; in paragraph 3, 8 cents a gallon; in paragraph 65, 9 cents a gallon; and in paragraph 69, from 10 to 12 cents a gallon. That is, the alcohol thus introduced would pay under this chemical schedule from 8 to 12 cents a gallon duty instead of $1.20 a gallon as imposed by our internal-revenue system, or $2.25 a gallon as imposed by our customs laws upon the introduction of proof alcohol, or the higher rates as fixed in the existing chemical schedule. Alcohol is also used in the manufacture of collodion and fruit ethers, and under the existing law the invasion of our internal-revenue system is here also prevented by the imposition of high rates per pound as the equivalent of the internal-revenue tax. By this amendment the compensatory duties for the high domestic tax on alcohol in collodion and ether is abolished and if the bill passed, the domestic manufacturer would pay $1.40 a gallon for his alcohol while his importing competitor would pay but 30 cents.

I need hardly dwell on the disastrous effect such an amendment in reference to alcoholic compounds would have upon the internal-revenue system of taxing distilled spirits nor need I point out the opportunities of evasion and fraud thus presented. Of course the change was not intended, but if this bill became law, it would be made.

This bill thus illustrates and enforces the views which I have already expressed in vetoing the wool bill and the so-called free-list bill, as to the paramount importance of securing, through the investigation and reports of the Tariff Board, a definite and certain basis of ascertained fact for the consideration of tariff laws. When the reports of the Tariff Board upon these schedules are received, the duties which should be imposed can be determined upon justly, and with intelligent appreciation of the effect that they will have both upon industry and upon revenue. Very likely some of the changes in this bill will prove to be desirable and some to be undesirable. So far as they turn out to be just and reasonable I shall be glad to approve them, but at present the proposed legislation appears to be all a matter of guesswork. The important thing is to get our tariff legislation out of the slough of guesswork and logrolling and ex parte statements of interested persons, and to establish that legislation on the basis of tested and determined facts, to which shall be applied, fairly and openly, whatever tariff principle the people of the country choose to adopt.

WILLIAM H. TAFT.

VETO MESSAGE.

[Returning without approval a joint resolution for the admission of the Territories of New Mexico and Arizona into the Union as States.]

THE WHITE HOUSE, *August 22, 1911.*

To the House of Representatives:

I return herewith, without my approval, House joint resolution No. 14, "To admit the Territories of New Mexico and Arizona as States into the Union on an equal footing with the original States."

Congress, by an enabling act approved June 20, 1910, provided for the calling of a constitutional convention in each of these Territories, the submission of the constitution proposed by the convention to the electors of the Territory, the approval of the constitution by the President and Congress, the proclamation of the fact by the President, and the election of State officers. Both in Arizona and New Mexico conventions have been held, constitutions adopted and ratified by the people and submitted to the President and Congress. I have approved the constitution of New Mexico, and so did the House of Representatives of the Sixty-first Congress. The Senate, however, failed to take action upon it. I have not approved the Arizona constitution, nor have the two Houses of Congress, except as they have done so by the joint resolution under consideration. The resolution admits both Territories to statehood with their constitutions, on condition that at the time of the election of State officers New Mexico shall submit to its electors an amendment to its new constitution altering and modifying its provision for future amendments, and on the further condition that Arizona shall submit to its electors, at the time of the election of its State officers, a proposed amendment to its constitution by which judicial officers shall be excepted from the section permitting a recall of all elective officers.

If I sign this joint resolution, I do not see how I can escape responsibility for the judicial recall of the Arizona constitution. The joint resolution admits Arizona with the judicial recall, but requires the submission of the question of its wisdom to the voters. In other words, the resolution approves the admission of Arizona with the judicial recall, unless the voters themselves repudiate it. Under the Arizona constitution all elective officers, and this includes county and State judges, six months after their election are subject to the recall. It is initiated by a petition signed by electors equal to 25 per cent of the total number of votes cast for all the candidates for the office at the previous general election. Within five days after the petition is filed the officer may resign. Whether he does or not, an election ensues in which his name, if he does not resign, is placed on the ballot with that of all other candidates. The petitioners may print on the official ballot 200 words showing their reasons for recalling the officer, and he is permitted to make defense in the same place in 200 words. If the incumbent receives the highest number of the votes, he continues in his office; if not, he is removed from office and is succeeded by the candidate who does receive the highest number.

This provision of the Arizona constitution, in its application to county and State judges, seems to me so pernicious in its effect, so destructive of independence in the judiciary, so likely to subject the rights of the individual to the possible tyranny of a popular majority, and, therefore, to be so injurious to the cause of free government, that I must disapprove a constitution containing it. I am not now engaged in performing the office given me in the enabling act already referred to, approved June 20, 1910, which was that of approving the constitutions ratified by the peoples of the Territories. It may be argued from the text of that act that in giving or withholding the approval under the act my only duty is to examine the proposed constitution, and if I find nothing in it inconsistent with the Federal Constitution, the principles of the Declaration of Independence, or the enabling act, to register my approval.

But now I am discharging my constitutional function in respect to the enactment of laws, and my discretion is equal to that of the Houses of Congress. I must therefore withhold my approval from this resolution if in fact I do not approve it as a matter of governmental policy. Of course, a mere difference of opinion as to the wisdom of details in a State constitution ought not to lead me to set up my opinion against that of the people of the Territory. It is to be their government, and while the power of Congress to withhold or grant statehood is absolute, the people about to constitute a State should generally know better the kind of government and constitution suited to their needs than Congress or the Executive. But when such a constitution contains something so destructive of free government as the judicial recall, it should be disapproved.

A government is for the benefit of all the people. We believe that this benefit is best accomplished by popular government, because in the long run each class of individuals is apt to secure better provision for themselves through their own voice in government than through the altruistic interest of others, however intelligent or philanthropic. The wisdom of ages has taught that no government can exist except in accordance with laws and unless the people under it either obey the laws voluntarily or are made to obey them. In a popular government the laws are made by the people—not by all the people—but by those supposed and declared to be competent for the purpose, as males over 21 years of age, and not by all of these—but by a majority of them only. Now, as the government is for all the people, and is not solely for a majority of them, the majority in exercising control either directly or through its agents is bound to exercise the power for the benefit of the minority as well as the majority. But all have recognized that the majority of a people, unrestrained by law, when aroused and without the sobering effect of deliberation and discussion, may do injustice to the minority or to the individual when the selfish interest of the majority prompts. Hence arises the necessity for a constitution by which the will of the majority shall be permitted to guide the course of the government only under controlling checks that experience has shown to be necessary to secure for the minority its share of the benefit to the whole people that a popular government is established to bestow. A popular government is not a government of a majority, by a majority, for a majority of the people. It is a government of the whole people, by a majority of the whole people under such rules and checks as will secure a wise, just, and beneficent government for all the people. It is said you can always trust the people to do justice. If that means all the people and they all agree, you can. But ordinarily they do not all agree, and the maxim is interpreted to mean that you can always trust a majority of the people. This is not invariably true; and every limitation imposed by the people upon the power of the majority in their constitutions is an admission that it is not always true. No honest, clear-headed man, however great a lover of popular government, can deny that the unbridled expression of the majority of a community converted hastily into law or action would sometimes make a government tyrannical and cruel. Constitutions are checks upon the hasty action of the majority. They are the self-imposed restraints of a whole people upon a majority of them to secure sober action and a respect for the rights of the minority, and of the individual in his relation to other individuals, and in his relation to the whole people in their character as a state or government.

The Constitution distributes the functions of government into three branches—the legislative, to make the laws; the executive, to execute them; and the judicial, to decide in cases arising before it the rights of the individual as between him and others and as between him and the Government. This division of government into three separate branches has always been regarded as a great security for the maintenance of free institutions, and the security is only firm and assured when the judicial branch is independent and impartial. The executive and legislative branches are representative of the majority of the people which elected them in guiding the course of the Government within the limits of the Constitution. They must act for the whole people, of course; but they may properly follow, and usually ought to follow, the views of the majority which elected them in respect to the governmental policy best adapted to secure the welfare of the whole people. But the judicial branch of the Government is not representative of a majority of the people in any such sense, even if the mode of selecting the judges is by popular election. In a proper sense, judges are servants of the people; that is, they are doing work which must be done for the Government and in the interest of all the people, but it is not work in the doing of which they are to follow the will of the majority except as that is embodied in statutes lawfully enacted according to constitutional limitations. They are not popular representatives. On the contrary, to fill their office properly, they must be independent. They must decide every question which comes before them according to law and justice. If this question is between individuals, they will follow the statute, or the unwritten law if no statute applies, and they take the unwritten law growing out of tradition and custom from previous judicial decisions. If a statute or ordinance affecting a cause before them is not lawfully enacted, because it violates the constitution adopted by the people, then they must ignore the statute and decide the question as if the statute had never been passed. This power is a judicial power imposed by the people on the judges by the written constitution. In early days some argued that the obligations of the Constitution operated directly on the conscience of the legislature, and only in that manner, and that it was to be conclusively presumed that whatever was done by the legislature was constitutional. But such a view did not obtain with our hard-headed, courageous, and far-sighted statesmen and judges, and it was soon settled that it was the duty of judges in cases properly arising before them to apply the law and so to declare what was the law, and that if what purported to be statutory law was at variance with the fundamental law, i. e., the Constitution, the seeming statute was not law at all, was not binding on the courts, the individuals, or any branch of the Government, and that it was the duty of the judges so to decide. This power conferred on the judiciary in our form of government is unique in the history of governments, and its operation has attracted and deserved the admiration and commendation of the world. It gives to our judiciary a position higher, stronger, and more responsible than that of the judiciary of any other country, and more effectively secures adherence to the fundamental will of the people.

What I have said has been to little purpose if it has not shown that judges to fulfill their functions properly in our popular Government must be more independent than in any other form of government, and that need of independence is greater where the individual is one litigant and the State, guided by the successful and governing majority, is the other. In order to maintain the rights of the minority and the individual and to preserve our constitutional balance we must have judges with courage to decide against the majority when justice and law require.

By the recall in the Arizona constitution it is proposed to give to the majority power to remove arbitrarily, and without delay, any judge who may have the courage to render an unpopular decision. By the recall it is proposed to enable a minority of 25 per cent of the voters of the district or State, for no prescribed cause, after the judge has been in office six months, to submit the question of his retention in office to the electorate. The petitioning minority must say on the ballot what they can against him in 200 words, and he must defend as best he can in the same space. Other candidates are permitted to present themselves and have their names printed on the ballot, so that the recall is not based solely on the record or the acts of the judge, but also on the question whether some other and more popular candidate has been found to unseat him. Could there be a system more ingeniously devised to subject judges to momentary gusts of popular passion than this? We can not be blind to the fact that often an intelligent and respectable electorate may be so roused upon an issue that it will visit with condemnation the decision of a just judge, though exactly in accord with the law governing the case, merely because it affects unfavorably their contest. Controversies over elections, labor troubles, racial or religious issues, issues as to the construction or constitutionality of liquor laws, criminal trials of popular or unpopular defendants, the removal of county seats, suits by individuals to maintain their constitutional rights in obstruction of some popular improvement—these and many other cases could be cited in which a majority of a district electorate would be tempted by hasty anger to recall a conscientious judge if the opportunity were open all the time. No period of delay is interposed for the abatement of popular feeling. The recall is devised to encourage quick action, and to lead the people to strike while the iron is hot. The judge is treated as the instrument and servant of a majority of the people and subject to their momentary will, not after a long term in which his qualities as a judge and his character as a man have been subjected to a test of all the varieties of judicial work and duty so as to furnish a proper means of measuring his fitness for continuance in another term. On the instant of an unpopular ruling, while the spirit of protest has not had time to cool and even while an appeal may be pending from his ruling in which he may be sustained, he is to be haled before the electorate as a tribunal, with no judicial hearing, evidence, or defense, and thrown out of office, and disgraced for life because he has failed, in a single decision, it may be, to satisfy the popular demand. Think of the opportunity such a system would give to unscrupulous political bosses in control, as they have been in control not only of conventions but elections! Think of the enormous power for evil given to the sensational, muckraking portion of the press in rousing prejudice against a just judge by false charges and insinuations, the effect of which in the short period of an election by recall it would be impossible for him to meet and offset! Supporters of such a system seem to think that it will work only in the interest of the poor, the humble, the weak and the oppressed; that it will strike down only the judge who is supposed to favor corporations and be affected by the corrupting influence of the rich. Nothing could be further from the ultimate result. The motive it would offer to unscrupulous combinations to seek to control politics in order to control judges is clear. Those would profit by the recall who have the best opportunity of rousing the majority of the people to action on a sudden impulse. Are they likely to be the wisest or the best people in a community? Do they not include those who have money enough to employ the firebrands and slanderers in a community and the stirrers-up of social hate? Would not self-respecting men well hesitate to accept judicial office with such a sword of Damocles hanging over them? What kind of judgments might those on the unpopular side expect from courts whose judges must make their decisions under such legalized terrorism? The character of the judges would deteriorate to that of trimmers and time-servers, and independent judicial action would be a thing of the past. As the possibilities of such a system pass in review, is it too much to characterize it as one which will destroy the judiciary, its standing, and its usefulness?

The argument has been made to justify the judicial recall that it is only carrying out the principle of the election of the judges by the people. The appointment by the executive is by the representative of the majority, and so far as future bias is concerned there is no great difference between the appointment and the election of judges. The independence of the judiciary is secured rather by a fixed term and fixed and irreducible salary. It is true that when the term of judges is for a limited number of years and reelection is necessary, it has been thought and charged sometimes that shortly before election in cases in which popular interest is excited, judges have leaned in their decisions toward the popular side.

As already pointed out, however, in the election of judges for a long and fixed term of years, the fear of popular prejudice as a motive for unjust decisions is minimized by the tenure on the one hand, while the opportunity which the people have calmly to consider the work of a judge for a full term of years in deciding as to his reelection generally insures from them a fair and reasonable consideration of his qualities as a judge. While, therefore, there have been elected judges who have bowed before unjust popular prejudice, or who have yielded to the power of political bosses in their decisions, I am convinced that these are exceptional, and that, on the whole, elected judges have made a great American judiciary. But the success of an elective judiciary certainly furnishes no reason for so changing the system as to take away the very safeguards which have made it successful.

Attempt is made to defend the principle of judicial recall by reference to States in which judges are said to have shown themselves to be under corrupt corporate influence and in which it is claimed that nothing but a desperate remedy will suffice. If the political control in such States is sufficiently wrested from corrupting corporations to permit the enactment of a radical constitutional amendment like that of judicial recall, it would seem possible to make provision in its stead for an effective remedy by impeachment in which the cumbrous features of the present remedy might be avoided, but the opportunity for judicial hearing and defense before an impartial tribunal might be retained. Real reforms are not to be effected by patent short cuts or by abolishing those requirements which the experience of ages has shown to be essential in dealing justly with everyone. Such innovations are certain in the long run to plague the inventor or first user and will come readily to the hand of the enemies and corrupters of society after the passing of the just popular indignation that prompted their adoption.

Again judicial recall is advocated on the ground that it will bring the judges more into sympathy with the popular will and the progress of ideas among the people. It is said that now judges are out of touch with the movement toward a wider democracy and a greater control of governmental agencies in the interest and for the benefit of the people. The righteous and just course for a judge to pursue is ordinarily fixed by statute or clear principles of law, and the cases in which his judgment may be affected by his political, economic, or social views are infrequent. But even in such cases, judges are not removed from the people's influence. Surround the judiciary with all the safeguards possible, create judges by appointment, make their tenure for life, forbid diminution of salary during their term, and still it is impossible to prevent the influence of popular opinion from coloring judgments in the long run. Judges are men, intelligent, sympathetic men, patriotic men, and in those fields of the law in which the personal equation unavoidably plays a part, there will be found a response to sober popular opinion as it changes to meet the exigency of social, political, and economic changes. Indeed this should be so. Individual instances of a hidebound and retrograde conservatism on the part of courts in decisions which turn on the individual economic or sociological views of the judges may be pointed out; but they are not many, and do not call for radical action. In treating of courts we are dealing with a human machine, liable like all the inventions of man to err, but we are dealing with a human institution that likens itself to a divine institution because it seeks and preserves justice. It has been the corner stone of our gloriously free government in which the rights of the individual and of the minority have been preserved, while governmental action of the majority has lost nothing of beneficent progress, efficacy, and directness. This balance was planned in the Constitution by its framers and has been maintained by our independent judiciary.

Precedents are cited from State constitutions said to be equivalent to a popular recall. In some, judges are removable by a vote of both houses of the legislature. This is a mere adoption of the English address of Parliament to the Crown for the removal of judges. It is similar to impeachment in that a form of hearing is always granted. Such a provision forms no precedent for a popular recall without adequate hearing and defense, and with new candidates to contest the election.

It is said the recall will be rarely used. If so, it will be rarely needed. Then why adopt a system so full of danger? But it is a mistake to suppose that such a powerful lever for influencing judicial decisions and such an opportunity for vengeance because of adverse ones will be allowed to remain unused.

But it is said that the people of Arizona are to become an independent State when created, and even if we strike out judicial recall now, they can reincorporate it in their constitution after statehood.

To this I would answer that in dealing with the courts, which are the corner stone of good government, and in which not only the voters, but the nonvoters and nonresidents, have a deep interest as a security for their rights of life, liberty, and property, no matter what the future action of the State may be, it is necessary for the authority which is primarily responsible for its creation to assert in no doubtful tones the necessity for an independent and untrammeled judiciary.

WILLIAM H. TAFT.

ANNUAL MESSAGE—PART I.

[On the Anti-Trust Statute.]

THE WHITE HOUSE, *December 5, 1911.*

To the Senate and House of Representatives:

This message is the first of several which I shall send to Congress during the interval between the opening of its regular session and its adjournment for the Christmas holidays. The amount of information to be communicated as to the operations of the Government, the number of important subjects calling for comment by the Executive, and the transmission to Congress of exhaustive reports of special commissions, make it impossible to include in one message of a reasonable length a discussion of the topics that ought to be brought to the attention of the National Legislature at its first regular session.

THE ANTI-TRUST LAW—THE SUPREME COURT DECISIONS.

In May last the Supreme Court handed down decisions in the suits in equity brought by the United States to enjoin the further maintenance of the Standard Oil Trust and of the American Tobacco Trust, and to secure their dissolution. The decisions are epoch-making and serve to advise the business world authoritatively of the scope and operation of the anti-trust act of 1890. The decisions do not depart in any substantial way from the previous decisions of the court in construing and applying this important statute, but they clarify those decisions by further defining the already admitted exceptions to the literal construction of the act. By the decrees, they furnish a useful precedent as to the proper method of dealing with the capital and property of illegal trusts. These decisions suggest the need and wisdom of additional or supplemental legislation to make it easier for the entire business community to square with the rule of action and legality thus finally established and to preserve the benefit, freedom, and spur of reasonable competition without loss of real efficiency or progress.

NO CHANGE IN THE RULE OF DECISION—MERELY IN ITS FORM OF EXPRESSION.

The statute in its first section declares to be illegal "every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States or with foreign nations," and in the second, declares guilty of a misdemeanor "every person who shall monopolize or attempt to monopolize or combine or conspire with any other person to monopolize any part of the trade or commerce of the several States or with foreign nations."

In two early cases, where the statute was invoked to enjoin a transportation rate agreement between interstate railroad companies, it was held that it was no defense to show that the agreement as to rates complained of was reasonable at common law, because it was said that the statute was directed against all contracts and combinations in restraint of trade whether reasonable at common law or not. It was plain from the record, however, that the contracts complained of in those cases would not have been deemed reasonable at common law. In subsequent cases the court said that the statute should be given a reasonable construction and refused to include within its inhibition, certain contractual restraints of trade which it denominated as incidental or as indirect.

These cases of restraint of trade that the court excepted from the operation of the statute were instances which, at common law, would have been called reasonable. In the Standard Oil and Tobacco cases, therefore, the court merely adopted the tests of the common law, and in defining exceptions to the literal application of the statute, only substituted for the test of being incidental or indirect, that of being reasonable, and this, without varying in the slightest the actual scope and effect of the statute. In other words, all the cases under the statute which have now been decided would have been decided the same way if the court had originally accepted in its construction the rule at common law.

It has been said that the court, by introducing into the construction of the statute common-law distinctions, has emasculated it. This is obviously untrue. By its judgment every contract and combination in restraint of interstate trade made with the purpose or necessary effect of controlling prices by stifling competition, or of establishing in whole or in part a monopoly of such trade, is condemned by the statute. The most extreme critics can not instance a case that ought to be condemned under the statute which is not brought within its terms as thus construed.

The suggestion is also made that the Supreme Court by its decision in the last two cases has committed to the court the undefined and unlimited discretion to determine whether a case of restraint of trade is within the terms of the statute. This is wholly untrue. A reasonable restraint of trade at common law is well understood and is clearly defined. It does not rest in the discretion of the court. It must be limited to accomplish the purpose of a lawful main contract to which, in order that it shall be enforceable at all, it must be incidental. If it exceed the needs of that contract, it is void.

The test of reasonableness was never applied by the court at common law to contracts or combinations or conspiracies in restraint of trade whose purpose was or whose necessary effect would be to stifle competition, to control prices, or establish monopolies. The courts never assumed power to say that such contracts or combinations or conspiracies might be lawful if the parties to them were only moderate in the use of the power thus secured and did not exact from the public too great and exorbitant prices. It is true that many theorists, and others engaged in business violating the statute, have hoped that some such line could be drawn by courts; but no court of authority has ever attempted it. Certainly there is nothing in the decisions of the latest two cases from which such a dangerous theory of judicial discretion in enforcing this statute can derive the slightest sanction.

FORCE AND EFFECTIVENESS OF STATUTE A MATTER OF GROWTH.

We have been twenty-one years making this statute effective for the purposes for which it was enacted. The Knight case was discouraging and seemed to remit to the States the whole available power to attack and suppress the evils of the trusts. Slowly, however, the error of that judgment was corrected, and only in the last three or four years has the heavy hand of the law been laid upon the great illegal combinations that have exercised such an absolute dominion over many of our industries. Criminal prosecutions have been brought and a number are pending, but juries have felt averse to convicting for jail sentences, and judges have been most reluctant to impose such sentences on men of respectable standing in society whose offense has been regarded as merely statutory. Still, as the offense becomes better understood and the committing of it partakes more of studied and deliberate defiance of the law, we can be confident that juries will convict individuals and that jail sentences will be imposed.

THE REMEDY IN EQUITY BY DISSOLUTION.

In the Standard Oil case the Supreme and Circuit Courts found the combination to be a monopoly of the interstate business of refining, transporting, and marketing petroleum and its products, effected and maintained through thirty-seven different corporations, the stock of which was held by a New Jersey company. It in effect commanded the dissolution of this combination, directed the transfer and *pro rata* distribution by the New Jersey company of the stock held by it in the thirty-seven corporations to and among its stockholders; and the corporations and individual defendants were enjoined from conspiring or combining to restore such monopoly; and all agreements between the subsidiary corporations tending to produce or bring about further violations of the act were enjoined.

In the Tobacco case, the court found that the individual defendants, twenty-nine in number, had been engaged in a successful effort to acquire complete dominion over the manufacture, sale, and distribution of tobacco in this country and abroad, and that this had been done by combinations made with a purpose and effect to stifle competition, control prices, and establish a monopoly, not only in the manufacture of tobacco, but also of tin-foil and licorice used in its manufacture and of its products of cigars, cigarettes, and snuffs. The tobacco suit presented a far more complicated and difficult case than the Standard Oil suit for a decree which would effectuate the will of the court and end the violation of the statute. There was here no single holding company as in the case of the Standard Oil Trust. The main company was the American Tobacco Company, a manufacturing, selling, and holding company. The plan adopted to destroy the combination and restore competition involved the redivision of the capital and plants of the whole trust between some of the companies constituting the trust and new companies organized for the purposes of the decree and made parties to it, and numbering, new and old, fourteen.

SITUATION AFTER READJUSTMENT.

The American Tobacco Company (old), readjusted capital, $92,000,000; the Liggett & Meyers Tobacco Company (new), capital, $67,000,000; the P. Lorillard Company (new), capital, $47,000,000; and the R. J. Reynolds Tobacco Company (old), capital, $7,525,000, are chiefly engaged in the manufacture and sale of chewing and smoking tobacco and cigars. The former one tin-foil company is divided into two, one of $825,000 capital and the other of $400,000. The one snuff company is divided into three companies, one with a capital of $15,000,000, another with a capital of $8,000,000, and a third with a capital of $8,000,000. The licorice companies are two, one with a capital of $5,758,300 and another with a capital of $2,000,000. There is, also, the British-American Tobacco Company, a British corporation, doing business abroad with a capital of $26,000,000, the Porto Rican Tobacco Company, with a capital of $1,800,000, and the corporation of United Cigar Stores, with a capital of $9,000,000.

Under this arrangement, each of the different kinds of business will be distributed between two or more companies with a division of the prominent brands in the same tobacco products, so as to make competition not only possible but necessary. Thus the smoking-tobacco business of the country is divided so that the present independent companies have 21.39 per cent, while the American Tobacco Company will have 33.08 per cent, the Liggett & Meyers 20.05 per cent, the Lorillard Company 22.82 per cent, and the Reynolds Company 2.66 per cent. The stock of the other thirteen companies, both preferred and common, has been taken from the defendant American Tobacco Company and has been distributed among its stockholders. All covenants restricting competition have been declared null and further performance of them has been enjoined. The preferred stock of the different companies has now been given voting power which was denied it under the old organization. The ratio of the preferred stock to the common was as 78 to 40. This constitutes a very decided change in the character of the ownership and control of each company.

In the original suit there were twenty-nine defendants who were charged with being the conspirators through whom the illegal combination acquired and exercised its unlawful dominion. Under the decree these defendants will hold amounts of stock in the various distributee companies ranging from 41 per cent as a maximum to 28½ per cent as a minimum, except in the case of one small company, the Porto Rican Tobacco Company, in which they will hold 45 per cent. The twenty-nine individual defendants are enjoined for three years from buying any stock except from each other, and the group is thus prevented from extending its control during that period. All parties to the suit, and the new companies who are made parties, are enjoined perpetually from in any way effecting any combination between any of the companies in violation of the statute by way of resumption of the old trust. Each of the fourteen companies is enjoined from acquiring stock in any of the others. All these companies are enjoined from having common directors or officers, or common buying or selling agents, or common offices, or lending money to each other.

SIZE OF NEW COMPANIES.

Objection was made by certain independent tobacco companies that this settlement was unjust because it left companies with very large capital in active business, and that the settlement that would be effective to put all on an equality would be a division of the capital and plant of the trust into small fractions in amount more nearly equal to that of each of the independent companies. This contention results from a misunderstanding of the anti-trust law and its purpose. It is not intended thereby to prevent the accumulation of large capital in business enterprises in which such a combination can secure reduced cost of production, sale, and distribution. It is directed against such an aggregation of capital only when its purpose is that of stifling competition, enhancing or controlling prices, and establishing a monopoly. If we shall have by the decree defeated these purposes and restored competition between the large units into which the capital and plant have been divided, we shall have accomplished the useful purpose of the statute.

CONFISCATION NOT THE PURPOSE OF THE STATUTE.

It is not the purpose of the statute to confiscate the property and capital of the offending trusts. Methods of punishment by fine or imprisonment of the individual offenders, by fine of the corporation or by forfeiture of its goods in transportation, are provided, but the proceeding in equity is a specific remedy to stop the operation of the trust by injunction and prevent the future use of the plant and capital in violation of the statute.

EFFECTIVENESS OF DECREE.

I venture to say that not in the history of American law has a decree more effective for such a purpose been entered by a court than that against the Tobacco Trust. As Circuit Judge Noyes said in his judgment approving the decree:

"The extent to which it has been necessary to tear apart this combination and force it into new forms with the attendant burdens ought to demonstrate that the Federal anti-trust statute is a drastic statute which accomplishes effective results; which so long as it stands on the statute books must be obeyed, and which can not be disobeyed without incurring far-reaching penalties. And, on the other hand, the successful reconstruction of this organization should teach that the effect of enforcing this statute is not to destroy, but to reconstruct; not to demolish, but to re-create in accordance with the conditions which the Congress has declared shall exist among the people of the United States."

COMMON STOCK OWNERSHIP.

It has been assumed that the present *pro rata* and common ownership in all these companies by former stockholders of the trust would insure a continuance of the same old single control of all the companies into which the trust has by decree been disintegrated. This is erroneous and is based upon the assumed inefficacy and innocuousness of judicial injunctions. The companies are enjoined from cooperation or combination; they have different managers, directors, purchasing and sales agents. If all or many of the numerous stockholders, reaching into the thousands, attempt to secure concerted action of the companies with a view to the control of the market, their number is so large that such an attempt could not well be concealed, and its prime movers and all its participants would be at once subject to contempt proceedings and imprisonment of a summary character. The immediate result of the present situation will necessarily be activity by all the companies under different managers, and then competition must follow, or there will be activity by one company and stagnation by another. Only a short time will inevitably lead to a change in ownership of the stock, as all opportunity for continued cooperation must disappear. Those critics who speak of this disintegration in the trust as a mere change of garments have not given consideration to the inevitable working of the decree and understand little the personal danger of attempting to evade or set at naught the solemn injunction of a court whose object is made plain by the decree and whose inhibitions are set forth with a detail and comprehensiveness unexampled in the history of equity jurisprudence.

VOLUNTARY REORGANIZATIONS OF OTHER TRUSTS AT HAND.

The effect of these two decisions has led to decrees dissolving the combination of manufacturers of electric lamps, a southern wholesale grocers' association, an interlocutory decree against the Powder Trust with directions by the circuit court compelling dissolution, and other combinations of a similar history are now negotiating with the Department of Justice looking to a disintegration by decree and reorganization in accordance with law. It seems possible to bring about these reorganizations without general business disturbance.

MOVEMENT FOR REPEAL OF THE ANTI-TRUST LAW.

But now that the anti-trust act is seen to be effective for the accomplishment of the purpose of its enactment, we are met by a cry from many different quarters for its repeal. It is said to be obstructive of business progress, to be an attempt to restore old-fashioned methods of destructive competition between small units, and to make impossible those useful combinations of capital and the reduction of the cost of production that are essential to continued prosperity and normal growth.

In the recent decisions the Supreme Court makes clear that there is nothing in the statute which condemns combinations of capital or mere bigness of plant organized to secure economy in production and a reduction of its cost. It is only when the purpose or necessary effect of the organization and maintenance of the combination or the aggregation of immense size are the stifling of competition, actual and potential, and the enhancing of prices and establishing a monopoly, that the statute is violated. Mere size is no sin against the law. The merging of two or more business plants necessarily eliminates competition between the units thus combined, but this elimination is in contravention of the statute only when the combination is made for purpose of ending this particular competition in order to secure control of, and enhance, prices and create a monopoly.

LACK OF DEFINITENESS IN THE STATUTE.

The complaint is made of the statute that it is not sufficiently definite in its description of that which is forbidden, to enable business men to avoid its violation. The suggestion is, that we may have a combination of two corporations, which may run on for years, and that subsequently the Attorney General may conclude that it was a violation of the statute, and that which was supposed by the combiners to be innocent then turns out to be a combination in violation of the statute. The answer to this hypothetical case is that when men attempt to amass such stupendous capital as will enable them to suppress competition, control prices and establish a monopoly, they know the purpose of their acts. Men do not do such a thing without having it clearly in mind. If what they do is merely for the purpose of reducing the cost of production, without the thought of suppressing competition by use of the bigness of the plant they are creating, then they can not be convicted at the time the union is made, nor can they be convicted later, unless it happen that later on they conclude to suppress competition and take the usual methods for doing so, and thus establish for themselves a monopoly. They can, in such a case, hardly complain if the motive which subsequently is disclosed is attributed by the court to the original combination.

NEW REMEDIES SUGGESTED.

Much is said of the repeal of this statute and of constructive legislation intended to accomplish the purpose and blaze a clear path for honest merchants and business men to follow. It may be that such a plan will be evolved, but I submit that the discussions which have been brought out in recent days by the fear of the continued execution of the anti-trust law have produced nothing but glittering generalities and have offered no line of distinction or rule of action as definite and as clear as that which the Supreme Court itself lays down in enforcing the statute.

SUPPLEMENTAL LEGISLATION NEEDED—NOT REPEAL OR AMENDMENT.

I see no objection—and indeed I can see decided advantages—in the enactment of a law which shall describe and denounce methods of competition which are unfair and are badges of the unlawful purpose denounced in the anti-trust law. The attempt and purpose to suppress a competitor by underselling him at a price so unprofitable as to drive him out of business, or the making of exclusive contracts with customers under which they are required to give up association with other manufacturers, and numerous kindred methods for stifling competition and effecting monopoly, should be described with sufficient accuracy in a criminal statute on the one hand to enable the Government to shorten its task by prosecuting single misdemeanors instead of an entire conspiracy, and, on the other hand, to serve the purpose of pointing out more in detail to the business community what must be avoided.

FEDERAL INCORPORATION RECOMMENDED.

In a special message to Congress on January 7, 1910, I ventured to point out the disturbance to business that would probably attend the dissolution of these offending trusts. I said:

"But such an investigation and possible prosecution of corporations whose prosperity or destruction affects the comfort not only of stockholders but of millions of wage earners, employees, and associated tradesmen must necessarily tend to disturb the confidence of the business community, to dry up the now flowing sources of capital from its places of hoarding, and produce a halt in our present prosperity that will cause suffering and strained circumstances among the innocent many for the faults of the guilty few. The question which I wish in this message to bring clearly to the consideration and discussion of Congress is whether, in order to avoid such a possible business danger, something can not be done by which these business combinations may be offered a means, without great financial disturbance, of changing the character, organization, and extent of their business into one within the lines of the law under Federal control and supervision, securing compliance with the anti-trust statute.

"Generally, in the industrial combinations called 'trusts,' the principal business is the sale of goods in many States and in foreign markets; in other words, the interstate and foreign business far exceeds the business done in any one State. This fact will justify the Federal Government in granting a Federal charter to such a combination to make and sell in interstate and foreign commerce the products of useful manufacture under such limitations as will secure a compliance with the anti-trust law. It is possible so to frame a statute that while it offers protection to a Federal company against harmful, vexatious, and unnecessary invasion by the States, it shall subject it to reasonable taxation and control by the States with respect to its purely local business. * * *

"Corporations organized under this act should be prohibited from acquiring and holding stock in other corporations (except for special reasons, upon approval by the proper Federal authority), thus avoiding the creation under national auspices of the holding company with subordinate corporations in different States, which has been such an effective agency in the creation of the great trusts and monopolies.

"If the prohibition of the anti-trust act against combinations in restraint of trade is to be effectively enforced, it is essential that the National Government shall provide for the creation of national corporations to carry on a legitimate business throughout the United States. The conflicting laws of the different States of the Union with respect to foreign corporations make it difficult, if not impossible, for one corporation to comply with their requirements so as to carry on business in a number of different States."

I renew the recommendation of the enactment of a general law providing for the voluntary formation of corporations to engage in trade and commerce among the States and with foreign nations. Every argument which was then advanced for such a law, and every explanation which was at that time offered to possible objections, have been confirmed by our experience since the enforcement of the anti-trust statute has resulted in the actual dissolution of active commercial organizations.

It is even more manifest now than it was then that the denunciation of conspiracies in restraint of trade should not and does not mean the denial of organizations large enough to be intrusted with our interstate and foreign trade. It has been made more clear now than it was then that a purely negative statute like the anti-trust law may well be supplemented by specific provisions for the building up and regulation of legitimate national and foreign commerce.

GOVERNMENT ADMINISTRATIVE EXPERTS NEEDED TO AID COURTS IN TRUST DISSOLUTIONS.

The drafting of the decrees in the dissolution of the present trusts, with a view to their reorganization into legitimate corporations, has made it especially apparent that the courts are not provided with the administrative machinery to make the necessary inquiries preparatory to reorganization, or to pursue such inquiries, and they should be empowered to invoke the aid of the Bureau of Corporations in determining the suitable reorganization of the disintegrated parts. The circuit court and the Attorney General were greatly aided in framing the decree in the Tobacco Trust dissolution by an expert from the Bureau of Corporations.

FEDERAL CORPORATION COMMISSION PROPOSED.

I do not set forth in detail the terms and sections of a statute which might supply the constructive legislation permitting and aiding the formation of combinations of capital into Federal corporations. They should be subject to rigid rules as to their organization and procedure, including effective publicity, and to the closest supervision as to the issue of stock and bonds by an executive bureau or commission in the Department of Commerce and Labor, to which in times of doubt they might well submit their proposed plans for future business. It must be distinctly understood that incorporation under Federal law could not exempt the company thus formed and its incorporators and managers from prosecution under the anti-trust law for subsequent illegal conduct, but the publicity of its procedure and the opportunity for frequent consultation with the bureau or commission in charge of the incorporation as to the legitimate purpose of its transactions would offer it as great security against successful prosecutions for violations of the law as would be practical or wise.

Such a bureau or commission might well be invested also with the duty already referred to, of aiding courts in the dissolution and recreation of trusts within the law. It should be an executive tribunal of the dignity and power of the Comptroller of the Currency or the Interstate Commerce Commission, which now exercise supervisory power over important classes of corporations under Federal regulation.

The drafting of such a Federal incorporation law would offer ample opportunity to prevent many manifest evils in corporate management to-day, including irresponsibility of control in the hands of the few who are not the real owners.

INCORPORATION VOLUNTARY.

I recommend that the Federal charters thus to be granted shall be voluntary, at least until experience justifies mandatory provisions. The benefit to be derived from the operation of great businesses under the protection of such a charter would attract all who are anxious to keep within the lines of the law. Other large combinations that fail to take advantage of the Federal incorporation will not have a right to complain if their failure is ascribed to unwillingness to submit their transactions to the careful official scrutiny, competent supervision, and publicity attendant upon the enjoyment of such a charter.

ONLY SUPPLEMENTAL LEGISLATION NEEDED.

The opportunity thus suggested for Federal incorporation, it seems to me, is suitable constructive legislation needed to facilitate the squaring of great industrial enterprises to the rule of action laid down by the anti-trust law. This statute as construed by the Supreme Court must continue to be the line of distinction for legitimate business. It must be enforced, unless we are to banish individualism from all business and reduce it to one common system of regulation or control of prices like that which now prevails with respect to public utilities, and which when applied to all business would be a long step toward State socialism.

IMPORTANCE OF THE ANTI-TRUST ACT.

The anti-trust act is the expression of the effort of a freedom-loving people to preserve equality of opportunity. It is the result of the confident determination of such a people to maintain their future growth by preserving uncontrolled and unrestricted the enterprise of the individual, his industry, his ingenuity, his intelligence, and his independent courage.

For twenty years or more this statute has been upon the statute book. All knew its general purpose and approved. Many of its violators were cynical over its assumed impotence. It seemed impossible of enforcement. Slowly the mills of the courts ground, and only gradually did the majesty of the law assert itself. Many of its statesmen-authors died before it became a living force, and they and others saw the evil grow which they had hoped to destroy. Now its efficacy is seen; now its power is heavy; now its object is near achievement. Now we hear the call for its repeal on the plea that it interferes with business prosperity, and we are advised in most general terms, how by some other statute and in some other way the evil we are just stamping out can be cured, if we only abandon this work of twenty years and try another experiment for another term of years.

It is said that the act has not done good. Can this be said in the face of the effect of the Northern Securities decree? That decree was in no way so drastic or inhibitive in detail as either the Standard Oil decree or the Tobacco decree; but did it not stop for all time the then powerful movement toward the control of all the railroads of the country in a single hand? Such a one-man power could not have been a healthful influence in the Republic, even though exercised under the general supervision of an interstate commission.

Do we desire to make such ruthless combinations and monopolies lawful? When all energies are directed, not toward the reduction of the cost of production for the public benefit by a healthful competition, but toward new ways and means for making permanent in a few hands the absolute control of the conditions and prices prevailing in the whole field of industry, then individual enterprise and effort will be paralyzed and the spirit of commercial freedom will be dead.

WM. H. TAFT.

ANNUAL MESSAGE—PART II.

[On Foreign Relations.]

THE WHITE HOUSE, *December 7, 1911.*

To the Senate and House of Representatives:

The relations of the United States with other countries have continued during the past twelve months upon a basis of the usual good will and friendly intercourse.

ARBITRATION.

The year just passed marks an important general movement on the part of the Powers for broader arbitration. In the recognition of the manifold benefits to mankind in the extension of the policy of the settlement of international disputes by arbitration rather than by war, and in response to a widespread demand for an advance in that direction on the part of the people of the United States and of Great Britain and of France, new arbitration treaties were negotiated last spring with Great Britain and France, the terms of which were designed, as expressed in the preamble of these treaties, to extend the scope and obligations of the policy of arbitration adopted in our present treaties with those Governments. To pave the way for this treaty with the United States, Great Britain negotiated an important modification in its alliance with Japan, and the French Government also expedited the negotiations with signal good will. The new treaties have been submitted to the Senate and are awaiting its advice and consent to their ratification. All the essentials of these important treaties have long been known, and it is my earnest hope that they will receive prompt and favorable action.

CLAIM OF ALSOP & CO. SETTLED.

I am glad to report that on July 5 last the American claim of Alsop & Co. against the Government of Chile was finally disposed of by the decision of His Britannic Majesty George V, to whom, as *amiable compositeur,* the matter had been referred for determination. His Majesty made an award of nearly $1,000,000 to the claimants, which was promptly paid by Chile. The settlement of this controversy has happily eliminated from the relations between the Republic of Chile and the United States the only question which for two decades had given the two foreign offices any serious concern and makes possible the unobstructed development of the relations of friendship which it has been the aim of this Government in every possible way to further and cultivate.

ARBITRATIONS—PANAMA AND COSTA RICA—COLOMBIA AND HAITI.

In further illustration of the practical and beneficent application of the principle of arbitration and the underlying broad spirit of conciliation, I am happy to advert to the part of the United States in facilitating amicable settlement of disputes which menaced the peace between Panama and Costa Rica and between Haiti and the Dominican Republic.

Since the date of their independence, Colombia and Costa Rica had been seeking a solution of a boundary dispute, which came as an heritage from Colombia to the new Republic of Panama, upon its beginning life as an independent nation. Although the disputants had submitted this question for decision to the President of France under the terms of an arbitration treaty, the exact interpretation of the provisions of the award rendered had been a matter of serious disagreement between the two countries, both contending for widely different lines even under the terms of the decision. Subsequently and since 1903 this boundary question had been the subject of fruitless diplomatic negotiations between the parties. In January, 1910, at the request of both Governments the agents representing them met in conference at the Department of State and subsequently concluded a protocol submitting this long-pending controversy to the arbitral judgment of the Chief Justice of the United States, who consented to act in this capacity. A boundary commission, according to the international agreement, has now been appointed, and it is expected that the arguments will shortly proceed and that this long-standing dispute will be honorably and satisfactorily terminated.

Again, a few months ago it appeared that the Dominican Republic and Haiti were about to enter upon hostilities because of complications growing out of an acrimonious boundary dispute which the efforts of many years had failed to solve. The Government of the United States, by a friendly interposition of good offices, succeeded in prevailing upon the parties to place their reliance upon some form of pacific settlement. Accordingly, on the friendly suggestion of this Government, the two Governments empowered commissioners to meet at Washington in conference at the State Department in order to arrange the terms of submission to arbitration of the boundary controversy.

CHAMIZAL ARBITRATION NOT SATISFACTORY.

Our arbitration of the Chamizal boundary question with Mexico was unfortunately abortive, but with the earnest efforts on the part of both Governments which its importance commands, it is felt that an early practical adjustment should prove possible.

LATIN AMERICA.

VENEZUELA.

During the past year the Republic of Venezuela celebrated the one hundredth anniversary of its independence. The United States sent, in honor of this event, a special embassy to Caracas, where the cordial reception and generous hospitality shown it were most gratifying as a further proof of the good relations and friendship existing between that country and the United States.

MEXICO.

The recent political events in Mexico received attention from this Government because of the exceedingly delicate and difficult situation created along our southern border and the necessity for taking measures properly to safeguard American interests. The Government of the United States, in its desire to secure a proper observance and enforcement of the so-called neutrality statutes of the Federal Government, issued directions to the appropriate officers to exercise a diligent and vigilant regard for the requirements of such rules and laws. Although a condition of actual armed conflict existed, there was no official recognition of belligerency involving the technical neutrality obligations of international law.

On the 6th of March last, in the absence of the Secretary of State, I had a personal interview with Mr. Wilson, the ambassador of the

United States to Mexico, in which he reported to me that the conditions in Mexico were much more critical than the press dispatches disclosed; that President Diaz was on a volcano of popular uprising; that the small outbreaks which had occurred were only symptomatic of the whole condition; that a very large per cent of the people were in sympathy with the insurrection; that a general explosion was probable at any time, in which case he feared that the 40,000 or more American residents in Mexico might be assailed, and that the very large American investments might be injured or destroyed.

After a conference with the Secretary of War and the Secretary of the Navy, I thought it wise to assemble an Army division of full strength at San Antonio, Tex., a brigade of three regiments at Galveston, a brigade of Infantry in the Los Angeles district of southern California, together with a squadron of battleships and cruisers and transports at Galveston, and a small squadron of ships at San Diego. At the same time, through our representative at the City of Mexico, I expressed to President Diaz the hope that no apprehensions might result from unfounded conjectures as to these military maneuvers, and assured him that they had no significance which should cause concern to his Government.

The mobilization was effected with great promptness, and on the 15th of March, through the Secretary of War and the Secretary of the Navy, in a letter addressed to the Chief of Staff, I issued the following instructions:

> It seems my duty as Commander in Chief to place troops in sufficient number where, if Congress shall direct that they enter Mexico to save American lives and property, an effective movement may be promptly made. Meantime, the movement of the troops to Texas and elsewhere near the boundary, accompanied with sincere assurances of the utmost goodwill toward the present Mexican Government and with larger and more frequent patrols along the border to prevent insurrectionary expeditions from American soil, will hold up the hands of the existing Government and will have a healthy moral effect to prevent attacks upon Americans and their property in any subsequent general internecine strife. Again, the sudden mobilization of a division of troops has been a great test of our Army and full of useful instruction, while the maneuvers that are thus made possible can occupy the troops and their officers to great advantage.
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> The assumption by the press that I contemplate intervention on Mexican soil to protect American lives or property is of course gratuitous, because I seriously doubt whether I have such authority under any circumstances, and if I had I would not exercise it without express congressional approval. Indeed, as you know, I have already declined, without Mexican consent, to order a troop of Cavalry to protect the breakwater we are constructing just across the border in Mexico at the mouth of the Colorado River to save the Imperial Valley, although the insurrectos had scattered the Mexican troops and were

taking our horses and supplies and frightening our workmen away. My determined purpose, however, is to be in a position so that when danger to American lives and property in Mexico threatens and the existing Government is rendered helpless by the insurrection, I can promptly execute congressional orders to protect them, with effect.

Meantime, I send you this letter, through the Secretary, to call your attention to some things in connection with the presence of the division in the Southwest which have doubtless occurred to you, but which I wish to emphasize.

In the first place, I want to make the mobilization a first-class training for the Army, and I wish you would give your time and that of the War College to advising and carrying out maneuvers of a useful character, and plan to continue to do this during the next three months. By that time we may expect that either Ambassador Wilson's fears will have been realized and chaos and its consequences have ensued, or that the present Government of Mexico will have so readjusted matters as to secure tranquillity—a result devoutly to be wished. The troops can then be returned to their posts. I understood from you in Washington that Gen. Aleshire said that you could probably meet all the additional expense of this whole movement out of the present appropriations if the troops continue in Texas for three months. I sincerely hope this is so. I observe from the newspapers that you have no blank cartridges, but I presume that this is an error, or that it will be easy to procure those for use as soon as your maneuvers begin.

Second. Texas is a State ordinarily peaceful, but you can not put 20,000 troops into it without running some risk of a collision between the people of that State, and especially the Mexicans who live in Texas near the border and who sympathize with the insurrectos, and the Federal soldiers. For that reason I beg you to be as careful as you can to prevent friction of any kind. We were able in Cuba, with the army of pacification there of something more than 5,000 troops, to maintain them for a year without any trouble, and I hope you can do the same thing in Texas. Please give your attention to this, and advise all the officers in command of the necessity for very great circumspection in this regard.

Third. One of the great troubles in the concentration of troops is the danger of disease, and I suppose that you have adopted the most modern methods for preventing and, if necessary, for stamping out epidemics. That is so much a part of a campaign that it hardly seems necessary for me to call attention to it.

Finally, I wish you to examine the question of the patrol of the border and put as many troops on that work as is practicable, and more than are now engaged in it, in order to prevent the use of our borderland for the carrying out of the insurrection. I have given assurances to the Mexican ambassador on this point.

I sincerely hope that this experience will always be remembered by the Army and Navy as a useful means of education, and I should be greatly disappointed if it resulted in any injury or disaster to our forces from any cause. I have taken a good deal of responsibility in ordering this mobilization, but I am ready to answer for it if only you and those under you use the utmost care to avoid the difficulties which I have pointed out.

> You may have a copy of this letter made and left with Gen. Carter and such other generals in command as you may think wise and necessary to guide them in their course, but to be regarded as confidential.

I am more than happy to here record the fact that all apprehensions as to the effect of the presence of so large a military force in Texas proved groundless; no disturbances occurred; the conduct of the troops was exemplary and the public reception and treatment of them was all that could have been desired, and this notwithstanding the presence of a large number of Mexican refugees in the border territory.

From time to time communications were received from Ambassador Wilson, who had returned to Mexico, confirming the view that the massing of American troops in the neighborhood had had good effect. By dispatch of April 3, 1911, the ambassador said:

> The continuing gravity of the situation here and the chaos that would ensue should the constitutional authorities be eventually overthrown, thus greatly increasing the danger to which American lives and property are already subject, confirm the wisdom of the President in taking those military precautions which, making every allowance for the dignity and the sovereignty of a friendly state, are due to our nationals abroad.
>
> Charged as I am with the responsibility of safeguarding these lives and property, I am bound to say to the department that our military dispositions on the frontier have produced an effective impression on the Mexican mind and may, at any moment, prove to be the only guaranties for the safety of our nationals and their property. If it should eventuate that conditions here require more active measures by the President and Congress, sporadic attacks might be made upon the lives and property of our nationals, but the ultimate result would be order and adequate protection.

The insurrection continued and resulted in engagements between the regular Mexican troops and the insurgents, and this along the border, so that in several instances bullets from the contending forces struck American citizens engaged in their lawful occupations on American soil.

Proper protests were made against these invasions of American rights to the Mexican authorities. On April 17, 1911, I received the following telegram from the governor of Arizona:

> As a result of to-day's fighting across the international line, but within gunshot range of the heart of Douglas, five Americans wounded on this side of the line. Everything points to repetition of these casualties on to-morrow, and while the Federals seem disposed to keep their agreement not to fire into Douglas, the position of the insurrectionists is such that when fighting occurs on the east and southeast of the intrenchments people living in Douglas are put in danger of their lives. In my judgment radical measures are needed to protect our

innocent people, and if anything can be done to stop the fighting at Agua Prieta the situation calls for such action. It is impossible to safeguard the people of Douglas unless the town be vacated. Can anything be done to relieve situation, now acute?

After a conference with the Secretary of State, the following telegram was sent to Governor Sloan, on April 18, 1911, and made public:

Your dispatch received. Have made urgent demand upon Mexican Government to issue instructions to prevent firing across border by Mexican federal troops, and am waiting reply. Meantime I have sent direct warning to the Mexican and insurgent forces near Douglas. I infer from your dispatch that both parties attempt to heed the warning, but that in the strain and exigency of the contest wild bullets still find their way into Douglas. The situation might justify me in ordering our troops to cross the border and attempt to stop the fighting, or to fire upon both combatants from the American side. But if I take this step, I must face the possibility of resistance and greater bloodshed, and also the danger of having our motives misconstrued and misrepresented, and of thus inflaming Mexican popular indignation against many thousand Americans now in Mexico and jeopardizing their lives and property. The pressure for general intervention under such conditions it might not be practicable to resist. It is impossible to foresee or reckon the consequences of such a course, and we must use the greatest self-restraint to avoid it. Pending my urgent representation to the Mexican Government, I can not therefore order the troops at Douglas to cross the border, but I must ask you and the local authorities, in case the same danger recurs, to direct the people of Douglas to place themselves where bullets can not reach them and thus avoid casualty. I am loath to endanger Americans in Mexico, where they are necessarily exposed, by taking a radical step to prevent injury to Americans on our side of the border who can avoid it by a temporary inconvenience.

I am glad to say that no further invasion of American rights of any substantial character occurred.

The presence of a large military and naval force available for prompt action, near the Mexican border, proved to be most fortunate under the somewhat trying conditions presented by this invasion of American rights. Had no movement theretofore taken place, and because of these events it had been necessary then to bring about the mobilization, it must have had sinister significance. On the other hand, the presence of the troops before and at the time of the unfortunate killing and wounding of American citizens at Douglas, made clear that the restraint exercised by our Government in regard to this occurrence was not due to lack of force or power to deal with it promptly and aggressively, but was due to a real desire to use every means possible to avoid direct intervention in the affairs of our neighbor, whose friendship we valued and were most anxious to retain.

The policy and action of this Government were based upon an earnest friendliness for the Mexican people as a whole, and it is a matter of gratification to note that this attitude of strict impartiality as to all factions in Mexico and of sincere friendship for the neighboring nation, without regard for party allegiance, has been generally recognized and has resulted in an even closer and more sympathetic understanding between the two Republics and a warmer regard one for the other. Action to suppress violence and restore tranquillity throughout the Mexican Republic was of peculiar interest to this Government, in that it concerned the safeguarding of American life and property in that country. The Government of the United States had occasion to accord permission for the passage of a body of Mexican rurales through Douglas, Arizona, to Tia Juana, Mexico, for the suppression of general lawlessness which had for some time existed in the region of northern Lower California. On May 25, 1911, President Diaz resigned, Señor de la Barra was chosen provisional President. Elections for President and Vice President were thereafter held throughout the Republic, and Señor Francisco I. Madero was formally declared elected on October 15 to the chief magistracy. On November 6 President Madero entered upon the duties of his office.

Since the inauguration of President Madero a plot has been unearthed against the present Government, to begin a new insurrection. Pursuing the same consistent policy which this administration has adopted from the beginning, it directed an investigation into the conspiracy charged, and this investigation has resulted in the indictment of Gen. Bernardo Reyes and others and the seizure of a number of officers and men and horses and accoutrements assembled upon the soil of Texas for the purpose of invading Mexico. Similar proceedings had been taken during the insurrection against the Diaz Government resulting in the indictments and prosecution of persons found to be engaged in violating the neutrality laws of the United States in aid of that uprising.

The record of this Government in respect of the recognition of constituted authority in Mexico therefore is clear.

CENTRAL AMERICA—HONDURAS AND NICARAGUA TREATIES PROPOSED.

As to the situation in Central America, I have taken occasion in the past to emphasize most strongly the importance that should be attributed to the consummation of the conventions between the Republics of Nicaragua and of Honduras and this country, and I again earnestly recommend that the necessary advice and consent of the Senate be accorded to these treaties, which will make it possible for these Central American Republics to enter upon an era of genuine economic national development. The Government of Nicaragua which has already taken favorable action on the convention, has found it necessary, pending the exchange of final ratifications, to enter into negotiations with American bankers for the purpose of securing a temporary loan to relieve the present financial tension. In connection with this temporary loan and in the hope of consummating, through the ultimate operation of the convention, a complete and lasting economic regeneration, the Government of Nicaragua has also decided to engage an American citizen as collector general of customs. The claims commission on which the services of two American citizens have been sought, and the work of the American financial adviser should accomplish a lasting good of inestimable benefit to the prosperity, commerce, and peace of the Republic. In considering the ratification of the conventions with Nicaragua and Honduras, there rests with the United States the heavy responsibility of the fact that their rejection here might destroy the progress made and consign the Republics concerned to still deeper submergence in bankruptcy, revolution, and national jeopardy.

PANAMA.

Our relations with the Republic of Panama, peculiarly important, due to mutual obligations and the vast interests created by the canal, have continued in the usual friendly manner, and we have been glad to make appropriate expression of our attitude of sympathetic interest in the endeavors of our neighbor in undertaking the development of the rich resources of the country. With reference to the internal political affairs of the Republic, our obvious concern is in the maintenance of public peace and constitutional order, and the fostering of the general interests created by the actual relations of the two countries, without the manifestation of any preference for the success of either of the political parties.

THE PAN AMERICAN UNION.

The Pan American Union, formerly known as the Bureau of American Republics, maintained by the joint contributions of all the American nations, has during the past year enlarged its practical work as an international organization, and continues to prove its usefulness as an agency for the mutual development of commerce, better acquaintance, and closer intercourse between the United States and her sister American republics.

THE FAR EAST.

THE CHINESE LOANS.

The past year has been marked in our relations with China by the conclusion of two important international loans, one for the construction of the Hukuang railways, the other for carrying out of the currency reform to which China was pledged by treaties with the United States, Great Britain, and Japan, of which mention was made in my last annual message.

It will be remembered that early in 1909 an agreement was consummated among British, French, and German financial groups whereby they proposed to lend the Chinese Government funds for the construction of railways in the Provinces of Hunan and Hupeh, reserving for their nationals the privilege of engineering the construction of the lines and of furnishing the materials required for the work. After negotiations with the Governments and groups concerned an agreement was reached whereby American, British, French, and German nationals should participate upon equal terms in this important and useful undertaking. Thereupon the financial groups, supported by their respective Governments, began negotiations with the Chinese Government which terminated in a loan to China of $30,000,000, with the privilege of increasing the amount to $50,000,000. The cooperative construction of these trunk lines should be of immense advantage, materially and otherwise, to China and should greatly facilitate the development of the bountiful resources of the Empire. On the other hand, a large portion of these funds is to be expended for materials, American products having equal preference with those of the other three lending nations, and as the contract provides for branches and extensions subsequently to be built on the same terms the opportunities for American materials will reach considerable proportions.

Knowing the interest of the United States in the reform of Chinese currency, the Chinese Government, in the autumn of 1910, sought the assistance of the American Government to procure funds with which to accomplish that all-important reform. In the course of the subsequent negotiations there was combined with the proposed currency loan one for certain industrial developments in Manchuria, the two loans aggregating the sum of $50,000,000. While this was originally to be solely an American enterprise, the American Government, consistently with its desire to secure a sympathetic and practical cooperation of the great powers toward maintaining the principle of equality of opportunity and the administrative integrity of China, urged the Chinese Government to admit to participation in the currency loan the associates of the American group in the Hukuang loan. While of immense importance in itself, the reform contemplated in making this loan is but preliminary to other and more comprehensive fiscal reforms which will be of incalculable benefit to China and foreign interests alike, since they will strengthen the Chinese Empire and promote the rapid development of international trade.

NEUTRAL FINANCIAL ADVISER.

When these negotiations were begun, it was understood that a financial adviser was to be employed by China in connection with the reform, and in order that absolute equality in all respects among the lending nations might be scrupulously observed, the American Government proposed the nomination of a neutral adviser, which was agreed to by China and the other Governments concerned. On September 28, 1911, Dr. Vissering, president of the Dutch Java Bank and a financier of wide experience in the Orient, was recommended to the Chinese Government for the post of monetary adviser.

Especially important at the present, when the ancient Chinese Empire is shaken by civil war incidental to its awakening to the many influences and activities of modernization, are the cooperative policy of good understanding which has been fostered by the international projects referred to above and the general sympathy of view among all the Powers interested in the Far East. While safeguarding the interests of our nationals, this Government is using its best efforts in continuance of its traditional policy of sympathy and friendship toward the Chinese Empire and its people, with the confident hope for their economic and administrative development, and with the constant disposition to contribute to their welfare in all proper ways consistent with an attitude of strict impartiality as between contending factions.

For the first time in the history of the two countries, a Chinese cruiser, the *Haichi,* under the command of Admiral Ching, recently visited New York, where the officers and men were given a cordial welcome.

NEW JAPANESE TREATY.

The treaty of commerce and navigation between the United States and Japan, signed in 1894, would by a strict interpretation of its provisions have terminated on July 17, 1912. Japan's general treaties with the other powers, however, terminated in 1911, and the Japanese Government expressed an earnest desire to conduct the negotiations for a new treaty with the United States simultaneously with its negotiations with the other powers. There were a number of important questions involved in the treaty, including the immigration of laborers, revision of the customs tariff, and the right of Americans to hold real estate in Japan. The United States consented to waive all technicalities and to enter at once upon negotiations for a new treaty on the understanding that there should be a continuance throughout the life of the treaty of the same effective measures for the restriction of immigration of laborers to American territory which had been in operation with entire satisfaction to both Governments since 1908.

THE RED CROSS BUILDING, WASHINGTON

THE RED CROSS.

Irrespective of the results of war, there is one organization on every modern battlefield which brings only happiness to all belligerents. The Red Cross recognizes no nationality, no creed, no sex, no age, no treaties, no political ambitions, no censure nor praise—only suffering. Much of the preservation of life in the European War has been due to the untiring efforts of the Red Cross doctors and nurses, who, never waiting for the rain of shells and the torrent of shrapnel to cease, run every risk on the field of battle in order to save life which the soldier runs in order to take life.

The Red Cross takes its name from the fact that its insignia are red crosses on white fields. The Society originated with Henri Dunant after the battle of Solferino in 1859. The American National Association of the Red Cross was organized in 1881, under the presidency of Clara Barton. For its later history, see the article, Red Cross, American National, in the Encyclopedic Index.

The Japanese Government accepted this basis of negotiation, and a new treaty was quickly concluded, resulting in a highly satisfactory settlement of the other questions referred to.

A satisfactory adjustment has also been effected of the questions growing out of the annexation of Korea by Japan.

The recent visit of Admiral Count Togo to the United States as the Nation's guest afforded a welcome opportunity to demonstrate the friendly feeling so happily existing between the two countries.

SIAM.

There has been a change of sovereigns in Siam and the American minister at Bangkok was accredited in a special capacity to represent the United States at the coronation ceremony of the new King.

EUROPE AND THE NEAR EAST.

In Europe and the Near East, during the past twelve-month, there has been at times considerable political unrest. The Moroccan question, which for some months was the cause of great anxiety, happily appears to have reached a stage at which it need no longer be regarded with concern. The Ottoman Empire was occupied for a period by strife in Albania and is now at war with Italy. In Greece and the Balkan countries the disquieting potentialities of this situation have been more or less felt. Persia has been the scene of a long internal struggle. These conditions have been the cause of uneasiness in European diplomacy, but thus far without direct political concern to the United States.

In the war which unhappily exists between Italy and Turkey this Government has no direct political interest, and I took occasion at the suitable time to issue a proclamation of neutrality in that conflict. At the same time all necessary steps have been taken to safeguard the personal interests of American citizens and organizations in so far as affected by the war.

COMMERCE WITH THE NEAR EAST.

In spite of the attendant economic uncertainties and detriments to commerce, the United States has gained markedly in its commercial standing with certain of the nations of the Near East. Turkey, especially, is beginning to come into closer relations with the United States through the new interest of American manufacturers and exporters in the possibilities of those regions, and it is hoped that foundations are being laid for a large and mutually beneficial exchange of commodities between the two countries. This new interest of Turkey in American goods is indicated by the fact that a party of prominent merchants from a large city in Turkey recently visited the United States to study conditions of manufacture and export here, and to get into personal touch with American merchants, with a view to coöperating more intelligently in opening up the markets of Turkey and the adjacent countries to our manufactures. Another indication of this new interest of America in the commerce of the Near East is the recent visit of a large party of American merchants and manufacturers to central and eastern Europe, where they were entertained by prominent officials and organizations of the large cities, and new bonds of friendship and understanding were established which can not but lead to closer and greater commercial interchange.

CORONATION OF KING GEORGE V.

The 22d of June of the present year marked the coronation of His Britannic Majesty King George V. In honor of this auspicious occasion I sent a special embassy to London. The courteous and cordial welcome extended to this Government's representatives by His Majesty and the people of Great Britain has further emphasized the strong bonds of friendship happily existing between the two nations.

SETTLEMENT OF LONG-STANDING DIFFERENCES WITH GREAT BRITAIN.

As the result of a determined effort on the part of both Great Britain and the United States to settle all of their outstanding differences a number of treaties have been entered into between the two countries in recent years, by which nearly all of the unsettled questions between them of any importance have either been adjusted by agreement or arrangements made for their settlement by arbitration. A number of the unsettled questions referred to consist of pecuniary claims presented by each country against the other, and in order that as many of these claims as possible should be settled by arbitration a special agreement for that purpose was entered into between the two Governments on the 18th day of August, 1910, in accordance with Article II of the general arbitration treaty with Great Britain of April 4, 1908. Pursuant to the provisions of this special agreement a schedule of claims has already been agreed upon, and the special agreement, together with this schedule, received the approval of the Senate when submitted to it for that purpose at the last session of Congress. Negotiations between the two Governments for the preparation of an additional schedule of claims are already well advanced, and it is my intention to submit such schedule as soon as it is agreed upon to the Senate for its approval, in order that the arbitration proceedings may be undertaken at an early date. In this connection the attention of Congress is particularly called to the necessity for an appropriation to cover the expense incurred in submitting these claims to arbitration.

PRESENTATION TO GERMANY OF REPLICA OF VON STEUBEN STATUE.

In pursuance of the act of Congress, approved June 23, 1910, the Secretary of State and the Joint Committee on the Library entered into a contract with the sculptor, Albert Jaegers, for the execution of a bronze replica of the statue of Gen. von Steuben erected in Washington, for presentation to His Majesty the German Emperor and the German nation in recognition of the gift of the statue of Frederick the Great made by the Emperor to the people of the United States.

The presentation was made on September 2 last by representatives whom I commissioned as the special mission of this Government for the purpose.

The German Emperor has conveyed to me by telegraph, on his own behalf and that of the German people, an expression of appreciative thanks for this action of Congress.

RUSSIA.

By direction of the State Department, our ambassador to Russia has recently been having a series of conferences with the minister of foreign affairs of Russia, with a view to securing a clearer understanding and construction of the treaty of 1832 between Russia and the United States and the modification of any existing Russian regulations which may be found to interfere in any way with the full recognition of the rights of American citizens under this treaty. I believe that the Government of Russia is addressing itself seriously to the need of changing the present practice under the treaty and that sufficient progress has been made to warrant the continuance of these conferences in the hope that there may soon be removed any justification of the complaints of treaty violation now prevalent in this country.

I expect that immediately after the Christmas recess I shall be able to make a further communication to Congress on this subject.

LIBERIA.

Negotiations for the amelioration of conditions found to exist in Liberia by the American commission, undertaken through the Department of State, have been concluded and it is only necessary for certain formalities to be arranged in securing the loan which it is hoped will place that republic on a practical financial and economic footing.

RECOGNITION OF PORTUGUESE REPUBLIC.

The National Constituent Assembly, regularly elected by the vote of the Portuguese people, having on June 19 last unanimously proclaimed a republican form of government, the official recognition of the Government of the United States was given to the new Republic in the afternoon of the same day.

SPITZBERGEN ISLANDS.

Negotiations for the betterment of conditions existing in the Spitzbergen Islands and the adjustment of conflicting claims of American citizens and Norwegian subjects to lands in that archipelago are still in progress.

INTERNATIONAL CONVENTIONS AND CONFERENCES.

INTERNATIONAL PRIZE COURT.

The supplementary protocol to The Hague convention for the establishment of an international prize court, mentioned in my last annual message, embodying stipulations providing for an alternative procedure which would remove the constitutional objection to that part of The Hague convention which provides that there may be an appeal to the proposed court from the decisions of national courts, has received the signature of the governments parties to the original convention and has been ratified by the Government of the United States, together with the prize court convention.

The deposit of the ratifications with the Government of the Netherlands awaits action by the powers on the declaration, signed at London on February 26, 1909, of the rules of international law to be recognized within the meaning of article 7 of The Hague convention for the establishment of an International Prize Court.

FUR-SEAL TREATY.

The fur-seal controversy, which for nearly twenty-five years has been the source of serious friction between the United States and the powers bordering upon the north Pacific Ocean, whose subjects have been permitted to engage in pelagic sealing against the fur-seal herds having their breeding grounds within the jurisdiction of the United States, has at last been satisfactorily adjusted by the conclusion of the north Pacific sealing convention entered into between the United States, Great Britain, Japan, and Russia on the 7th of July last. This convention is a conservation measure of very great importance, and if it is carried out in the spirit of reciprocal concession and advantage upon which it is based, there is every reason to believe that not only will it result in preserving the fur-seal herds of the north Pacific Ocean and restoring them to their former value for the purposes of commerce, but also that it will afford a permanently satisfactory settlement of a question the only other solution of which seemed to be the total destruction of the fur seals. In another aspect, also, this convention is of importance in that it furnishes an illustration of the feasibility of securing a general international game law for the protection of other mammals of the sea, the preservation of which is of importance to all the nations of the world.

LEGISLATION NECESSARY.

The attention of Congress is especially called to the necessity for legislation on the part of the United States for the purpose of fulfilling the obligations assumed under this convention, to which the Senate gave its advice and consent on the 24th day of July last.

PROTECTION OF INDUSTRIAL PROPERTY UNION.

The conference of the International Union for the Protection of Industrial Property, which, under the authority of Congress, convened at Washington on May 16, 1911, closed its labors on June 2, 1911, by the signature of three acts, as follows:

(1) A convention revising the Paris convention of March 20, 1883, for the protection of industrial property, as modified by the additional act signed at Brussels on December 14, 1900;

(2) An arrangement to replace the arrangement signed at Madrid on April 14, 1891, for the international registration of trade-marks, and the additional act with regard thereto signed at Brussels on December 14, 1900; and

(3) An arrangement to replace the arrangement signed at Madrid on April 14, 1891, relating to the repression of false indication of production of merchandise.

The United States is a signatory of the first convention only, and this will be promptly submitted to the Senate.

INTERNATIONAL OPIUM COMMISSION.

In a special message transmitted to the Congress on the 11th of January, 1911, in which I concurred in the recommendations made by the Secretary of State in regard to certain needful legislation for the control of our interstate and foreign traffic in opium and other menacing drugs, I quoted from my annual message of December 7, 1909, in which I announced that the results of the International Opium Commission held at Shanghai in February, 1909, at the invitation of the United States, had been laid before this Government; that the report of that commission showed that China was making remarkable progress and admirable efforts toward the eradication of the opium evil; that the interested governments had not permitted their commercial interests to prevent their cooperation in this reform; and, as a result of collateral investigations of the opium question in this country, I recommended that the manufacture, sale, and use of opium in the United States should be more rigorously controlled by legislation.

Prior to that time and in continuation of the policy of this Government to secure the cooperation of the interested nations, the United States proposed an international opium conference with full powers for the purpose of clothing with the force of international law the resolutions adopted by the above-mentioned commission, together with their essential corollaries. The other powers concerned cordially responded to the proposal of this Government, and, I am glad to be able to announce, representatives of all the powers assembled in conference at The Hague on the first of this month.

Since the passage of the opium-exclusion act, more than twenty States have been animated to modify their pharmacy laws and bring them in accord with the spirit of that act, thus stamping out, to a measure, the intrastate traffic in opium and other habit-forming drugs. But, although I have urged on the Congress the passage of certain measures for Federal control of the interstate and foreign traffic in these drugs, no action has yet been taken. In view of the fact that there is now sitting at The Hague so important a conference, which has under review the municipal laws of the different nations for the mitigation of their opium and other allied evils, a conference which will certainly deal with the international aspects of these evils, it seems to me most essential that the Congress should take immediate action on the anti-narcotic legislation to which I have already called attention by a special message.

BUENOS AIRES CONVENTIONS.

The four important conventions signed at the Fourth Pan American Conference at Buenos Aires, providing for the regulation of trademarks, patents, and copyrights, and for the arbitration of pecuniary claims, have, with the advice and consent of the Senate, been ratified on the part of the United States and the ratifications have been deposited with the Government of the Argentine Republic in accordance with the requirements of the conventions. I am not advised that similiar action has been taken by any other of the signatory governments.

INTERNATIONAL ARRANGEMENT TO SUPPRESS OBSCENE PUBLICATIONS.

One of the notable advances in international morality accomplished in recent years was an arrangement entered into on April 13th of the present year between the United States and other powers for the repression of the circulation of obscene publications.

FOREIGN TRADE RELATIONS OF THE UNITED STATES.

In my last annual message I referred to the tariff negotiations of the Department of State with foreign countries in connection with the application, by a series of proclamations, of the minimum tariff of the United States to importations from the several countries, and I stated that, in its general operation, section 2 of the new tariff law had proved a guaranty of continued commercial peace, although there were, unfortunately, instances where foreign governments dealt arbitrarily with American interests within their jurisdiction in a manner injurious and inequitable. During the past year some instances of discriminatory treatment have been removed, but I regret to say that there remain a few cases of differential treatment adverse to the commerce of the United States. While none of these instances now appears to amount to undue discrimination in the sense of section 2 of the tariff law of August 5, 1909, they are all exceptions to that complete degree of equality of tariff treatment that the Department of State has consistently sought to obtain for American commerce abroad.

While the double tariff feature of the tariff law of 1909 has been amply justified by the results achieved in removing former and preventing new, undue discriminations against American commerce, it is believed that the time has come for the amendment of this feature of the law in such way as to provide a graduated means of meeting varying degrees of discriminatory treatment of American commerce in foreign countries as well as to protect the financial interests abroad of American citizens against arbitrary and injurious treatment on the part of foreign governments through either legislative or administrative measures.

It would seem desirable that the maximum tariff of the United States should embrace within its purview the free list, which is not the case at the present time, in order that it might have reasonable significance to the governments of those countries from which the importations into the United States are confined virtually to articles on the free list.

RECORD OF HIGHEST AMOUNT OF FOREIGN TRADE.

The fiscal year ended June 30, 1911, shows great progress in the development of American trade. It was noteworthy as marking the highest record of exports of American products to foreign countries, the valuation being in excess of $2,000,000,000. These exports showed a gain over the preceding year of more than $300,000,000.

FACILITIES FOR FOREIGN TRADE FURNISHED BY JOINT ACTION OF DEPARTMENT OF STATE AND OF COMMERCE AND LABOR.

There is widespread appreciation expressed by the business interests of the country as regards the practical value of the facilities now offered by the Department of State and the Department of Commerce and Labor for the furtherance of American commerce. Conferences with their officers at Washington who have an expert knowledge of trade conditions in foreign countries and with consular officers and commercial agents of the Department of Commerce and Labor who, while on leave of absence, visit the principal industrial centers of the United States, have been found of great value. These trade conferences are regarded as a particularly promising method of governmental aid in foreign trade promotion. The Department of Commerce and Labor has arranged to give publicity to the expected arrival and the itinerary of consular officers and commercial agents while on leave in the United States, in order that trade organizations may arrange for conferences with them.

As I have indicated, it is increasingly clear that to obtain and maintain that equity and substantial equality of treatment essential to the flourishing foreign trade, which becomes year by year more important to the industrial and commercial welfare of the United States, we should have a flexibility of tariff sufficient for the give and take of negotiation by the Department of State on behalf of our commerce and industry.

CRYING NEED FOR AMERICAN MERCHANT MARINE.

I need hardly reiterate the conviction that there should speedily be built up an American merchant marine. This is necessary to assure favorable transportation facilities to our great ocean-borne commerce as well as to supplement the Navy with an adequate reserve of ships and men. It would have the economic advantage of keeping at home part of the vast sums now paid foreign shipping for carrying American goods. All the great commercial nations pay heavy subsidies to their merchant marine, so that it is obvious that without some wise aid from the Congress the United States must lag behind in the matter of merchant marine in its present anomalous position.

EXTENSION OF AMERICAN BANKING TO FOREIGN COUNTRIES.

Legislation to facilitate the extension of American banks to foreign countries is another matter in which our foreign trade needs assistance.

CHAMBERS OF FOREIGN COMMERCE SUGGESTED.

The interests of our foreign commerce are nonpartisan, and as a factor in prosperity are as broad as the land. In the dissemination of useful information and in the coordination of effort, certain unofficial associations have done good work toward the promotion of foreign commerce. It is cause for regret, however, that the great number of such associations and the comparative lack of cooperation between them fails to secure an efficiency commensurate with the public interest. Through the agency of the Department of Commerce and Labor, and in some cases directly, the Department of State transmits to reputable business interests information of commercial opportunities, supplementing the regular published consular reports. Some central organization in touch with associations and chambers of commerce throughout the country and able to keep purely American interests in closer touch with different phases of commercial affairs would, I believe, be of great value. Such organization might be managed by a committee composed of a small number of those now actively carrying on the work of some of the larger associations, and there might be added to the committee, as members ex officio, one or two officials of the Department of State and one or two officials from the Department of Commerce and Labor and representatives of the appropriate committees of Congress. The authority and success of such an organization would evidently be enhanced if the Congress should see fit to prescribe its scope and organization through legislation which would give to it some such official standing as that, for example, of the National Red Cross.

With these factors and the continuance of the foreign-service establishment (departmental, diplomatic, and consular) upon the high plane where it has been placed by the recent reorganization this Government would be abreast of the times in fostering the interests of its foreign trade, and the rest must be left to the energy and enterprise of our business men.

IMPROVEMENT OF THE FOREIGN SERVICE.

The entire foreign-service organization is being improved and developed with especial regard to the requirements of the commercial interests of the country. The rapid growth of our foreign trade makes it of the utmost importance that governmental agencies through which that trade is to be aided and protected should possess a high degree of efficiency. Not only should the foreign representatives be maintained upon a generous scale in so far as salaries and establishments are concerned, but the selection and advancement of officers should be definitely and permanently regulated by law so that the service shall not fail to attract men of high character and ability. The experience of the past few years with a partial application of civil-service rules to the Diplomatic and Consular Service leaves no doubt in my mind of the wisdom of a wider and more permanent extension of those principles to both branches of the foreign service. The men selected for appointment by means of the existing executive regulations have been of a far higher average of intelligence and ability than the men appointed before the regulations were promulgated. Moreover, the feeling that under the existing rules there is reasonable hope for permanence of tenure during good behavior and for promotion for meritorious service has served to bring about a zealous activity in the interests of the country, which never before existed or could exist. It is my earnest conviction that the enactment into law of the general principles of the existing regulations can not fail to effect further improvement in both branches of the foreign service by providing greater inducement for young men of character and ability to seek a career abroad in the service of the Government, and an incentive to those already in the service to put forth greater efforts to attain the high standards which the successful conduct of our international relations and commerce requires.

I therefore again commend to the favorable action of the Congress the enactment of a law applying to the diplomatic and consular service the principles embodied in section 1753 of the Revised Statutes of the United States, in the civil-service act of January 16, 1883, and the Executive orders of June 27, 1906, and of November 26, 1909. In its consideration of this important subject I desire to recall to the attention of the Congress the very favorable report made on the Lowden bill for the improvement of the foreign service by the Foreign Affairs Committee of the House of Representatives. Available statistics show the strictness with which the merit system has been applied to the foreign service during recent years and the absolute nonpartisan selection of consuls and diplomatic-service secretaries who, indeed, far from being selected with any view to political consideration, have actually been chosen to a disproportionate extent from States which would have been unrepresented in the foreign service under the system which it is to be hoped is now permanently obsolete. Some legislation for the perpetuation of the present system of examinations and promotions upon merit and efficiency would be of greatest value to our commerical and international interests.

WM. H. TAFT.

ANNUAL MESSAGE—PART III.

[Transmitting report of the Tariff Board on Schedule K.]

THE WHITE HOUSE, *December 20, 1911.*

To the Senate and House of Representatives:

In my annual message to Congress, December, 1909, I stated that under section 2 of the act of August 5, 1909, I had appointed a Tariff Board of three members to cooperate with the State Department in the administration of the maximum and minimum clause of that act, to make a glossary or encyclopedia of the existing tariff so as to render its terms intelligible to the ordinary reader, and then to investigate industrial conditions and costs of production at home and abroad with a view to determining to what extent existing tariff rates actually exemplify the protective principle, viz., that duties should be made adequate, and only adequate, to equalize the difference in cost of production at home and abroad.

I further stated that I believed these investigations would be of great value as a basis for accurate legislation, and that I should from time to time recommend to Congress the revision of certain schedules in accordance with the findings of the Board.

In the last session of the Sixty-first Congress a bill creating a permanent Tariff Board of five members, of whom not more than three should be of the same political party, passed each House, but failed of enactment because of slight differences on which agreement was not reached before adjournment. An appropriation act provided that the permanent Tariff Board, if created by statute, should report to Congress on Schedule K in December, 1911.

Therefore, to carry out so far as lay within my power the purposes of this bill for a permanent Tariff Board, I appointed in March, 1911, a board of five, adding two members of such party affiliation as would have fulfilled the statutory requirement, and directed them to make a report to me on Schedule K of the tariff act in December of this year.

In my message of August 17, 1911, accompanying the veto of the wool bill, I said that, in my judgment, Schedule K should be revised and the rates reduced. My veto was based on the ground that, since the Tariff Board would make, in December, a detailed report on wool and wool manufactures, with special reference to the relation of the existing rates of duties to relative costs here and abroad, public policy and a fair regard to the interests of the producers and the manufacturers on the one hand and of the consumers on the other demanded that legislation should not be hastily enacted in the absence of such information; that I was not myself possessed at that time of adequate knowledge of the facts to determine whether or not the proposed act was in accord with my pledge to support a fair and reasonable protective policy; that such legislation might prove only temporary and inflict upon a great industry the evils of continued uncertainty.

I now herewith submit a report of the Tariff Board on Schedule K. The board is unanimous in its findings. On the basis of these findings I now recommend that the Congress proceed to a consideration of this schedule with a view to its revision and a general reduction of its rates.

The report shows that the present method of assessing the duty on raw wool—this is, by a specific rate on the grease pound (i. e., unscoured)—operates to exclude wools of high shrinkage in scouring but fine quality from the American market and thereby lessens the range of wools available to the domestic manufacturer; that the duty on scoured wool of 33 cents per pound is prohibitory and operates to exclude the importation of clean, low-priced foreign wools of inferior grades, which are nevertheless valuable material for manufacturing, and which can not be imported in the grease because of their heavy shrinkage. Such wools, if imported, might be used to displace the cheap substitutes now in use.

To make the preceding paragraph a little plainer, take the instance of a hundred pounds of first-class wool imported under the present duty, which is 11 cents a pound. That would make the duty on the hundred pounds $11. The merchantable part of the wool thus imported is the weight of the wool of this hundred pounds after scouring. If the wool shrinks 80 per cent, as some wools do, then the duty in such a case would amount to $11 on 20 pounds of scoured wool. This, of course, would be prohibitory. If the wool shrinks only 50 per cent, it would be $11 on 50 pounds of wool, and this is near to the average of the great bulk of wools that are imported from Australia, which is the principal source of our imported wool.

These discriminations could be overcome by assessing a duty in ad valorem terms, but this method is open to the objection, first, that it increases administrative difficulties and tends to decrease revenue through undervaluation; and, second, that as prices advance, the ad valorem rate increases the duty per pound at the time when the consumer most needs relief and the producer can best stand competition; while if prices decline the duty is decreased at the time when the consumer is least burdened by the price and the producer most needs protection.

Another method of meeting the difficulty of taxing the grease pound is to assess a specific duty on grease wool in terms of its scoured content. This obviates the chief evil of the present system, namely, the discrimination due to different shrinkages, and thereby tends greatly to equalize the duty. The board reports that this method is feasible in practice and could be administered without great expense. The scoured content of the wool is the basis on which users of wool make their calculations, and a duty of this kind would fit the usages of the trade. One effect of this method of assessment would be that, regardless of the rate of duty, there would be an increase in the supply and variety of wool by making available to the American market wools of both low and fine quality now excluded.

The report shows in detail the difficulties involved in attempting to state in categorical terms the cost of wool production and the great differences in cost as between different regions and different types of wool. It is found, however, that, taking all varieties in account, the average cost of production for the whole American clip is higher than the cost in the chief competing country by an amount somewhat less than the present duty.

The report shows that the duties on noils, wool wastes, and shoddy, which are adjusted to the rate of 33 cents on scoured wool are prohibitory in the same measure that the duty on scoured wool is prohibitory. In general, they are assessed at rates as high as, or higher than, the duties paid on the clean content of wools actually imported. They should be reduced and so adjusted to the rate on wool as to bear their proper proportion to the real rate levied on the actual wool imports.

The duties on many classes of wool manufacture are prohibitory and greatly in excess of the difference in cost of production here and abroad.

This is true of tops, of yarns (with the exception of worsted yarns of a very high grade), and of low and medium grade cloth of heavy weight.

On tops up to 52 cents a pound in value, and on yarns of 65 cents in value, the rate is 100 per cent with correspondingly higher rates for lower values. On cheap and medium grade cloths, the existing rates frequently run to 150 per cent and on some cheap goods to over 200 per cent. This is largely due to that part of the duty which is levied ostensibly to compensate the manufacturer for the enhanced cost of his raw material due to the duty on wool. As a matter of fact, this compensatory duty, for numerous classes of goods, is much in excess of the amount needed for strict compensation.

On the other hand, the findings show that the duties which run to such high ad valorem equivalents are prohibitory, since the goods are not imported, but that the prices of domestic fabrics are not raised by the full amount of duty. On a set of 1-yard samples of 16 English fabrics, which are completely excluded by the present tariff rates, it was found that the total foreign value was $41.84; the duties which would have been assessed had these fabrics been imported, $76.90; the foreign value plus the amount of the duty, $118.74; or a nominal duty of 183 per cent. In fact, however, practically identical fabrics of domestic make sold at the same time at $69.75, showing an enhanced price over the foreign market value of but 67 per cent.

Although these duties do not increase prices of domestic goods by anything like their full amount, it is none the less true that such prohibitive duties eliminate the possibility of foreign competition, even in time of scarcity; that they form a temptation to monopoly and conspiracies to control domestic prices; that they are much in excess of the difference in cost of production here and abroad, and that they should be reduced to a point which accords with this principle.

The findings of the board show that in this industry the actual manufacturing cost, aside from the question of the price of materials, is much higher in this country than it is abroad; that in the making of yarn and cloth the domestic woolen or worsted manufacturer has in general no advantage in the form of superior machinery or more efficient labor to offset the higher wages paid in this country. The findings show that the cost of turning wool into yarn in this country is about double that in the leading competing country, and that the cost of turning yarn into cloth is somewhat more than double. Under the protective policy a great industry, involving the welfare of hundreds of thousands of people, has been established despite these handicaps.

In recommending revision and reduction, I therefore urge that action be taken with these facts in mind, to the end that an important and established industry may not be jeopardized.

The Tariff Board reports that no equitable method has been found to levy purely specific duties on woolen and worsted fabrics and that, excepting for a compensatory duty, the rate must be ad valorem on such manufactures. It is important to realize, however, that no flat ad valorem rate on such fabrics can be made to work fairly and effectively. Any single rate which is high enough to equalize the difference in manufacturing cost at home and abroad on highly finished goods involving such labor would be prohibitory on cheaper goods, in which the labor cost is a smaller proportion of the total value. Conversely, a rate only adequate to equalize this difference on cheaper goods would remove protection from the fine-goods manufacture, the increase in which has been one of the striking features of the trade's development in recent years. I therefore recommend that in any revision the importance of a graduated scale of ad valorem duties on cloths be carefully considered and applied.

I venture to say that no legislative body has ever had presented to it a more complete and exhaustive report than this on so difficult and complicated a subject as the relative costs of wool and woolens the world over. It is a monument to the thoroughness, industry, impartiality, and accuracy of the men engaged in its making. They were chosen from both political parties but have allowed no partisan spirit to prompt or control their inquiries. They are unanimous in their findings. I feel sure that after the report has been printed and studied the value of such a compendium of exact knowledge in respect to this schedule of the tariff will convince all of the wisdom of making such a board permanent in order that it may treat each schedule of the tariff as it has treated this, and then keep its bureau of information up to date with current changes in the economic world.

It is no part of the function of the Tariff Board to propose rates of duty. Their function is merely to present findings of fact on which rates of duty may be fairly determined in the light of adequate knowledge in accord with the economic policy to be followed. This is what the present report does.

The findings of fact by the board show ample reason for the revision downward of Schedule K, in accord with the protective principle, and present the data as to relative costs and prices from which may be determined what rates will fairly equalize the difference in production costs. I recommend that such revision be proceeded with at once.

WM. H. TAFT.

ANNUAL MESSAGE—PART IV.

[On the financial condition of the treasury, needed banking and currency reform, and departmental questions.]

THE WHITE HOUSE, *December 21, 1911.*

To the Senate and House of Representatives:

The financial condition of the Government, as shown at the close of the last fiscal year, June 30, 1911, was very satisfactory. The ordinary receipts into the general fund, excluding postal revenues, amounted to $701,372,374.99, and the disbursements from the general fund for current expenses and capital outlays, excluding postal and Panama Canal disbursements, including the interest on the public debt, amounted to $654,137,907.89, leaving a surplus of $47,234,377.10.

The postal revenue receipts amounted to $237,879,823.60, while the payments made for the postal service from the postal revenues amounted to $237,660,705.48, which left a surplus of postal receipts over disbursements of $219,118.12, the first time in 27 years in which a surplus occurred.

The interest-bearing debt of the United States June 30, 1911, amounted to $915,353,190. The debt on which interest had ceased amounted to $1,879,830.26, and the debt bearing no interest, including greenbacks, national bank notes to be redeemed, and fractional currency, amounted to $386,751,917.43, or a total of interest and non-interest bearing debt amounting to $1,303,984,937.69.

The actual disbursements, exclusive of those for the Panama Canal and for the postal service for the year ending June 30, 1911, were $654,137,997.89. The actual disbursements for the year ending June 30, 1910, exclusive of the Panama Canal and the postal service disbursements, were $659,705,391.08, making a decrease of $5,567,393.19 in yearly expenditures in the year 1911 under that of 1910. For the year ending June 30, 1912, the estimated receipts, exclusive of the postal revenues, are $660,000,000, while the total estimates, exclusive of those for the Panama Canal and the postal expenditures payable from the postal revenues, amount to $645,842,799.34. This is a decrease in the 1912 estimates from that of the 1911 estimates of $1,534,307.22.

For the year ending June 30, 1913, the estimated receipts, exclusive of the postal revenues, are $667,000,000, while the total estimated appropriations, exclusive of the Panama Canal and postal disbursements payable from postal revenues, will amount to $637,920,803.35. This is a decrease in the 1913 estimates from that of the 1912 estimates of $7,921,995.99.

As to the postal revenues, the expansion of the business in that department, the normal increase in the Post Office and the extension of the service, will increase the outlay to the sum of $260,938,463; but as the department was self-sustaining this year the Postmaster General is assured that next year the receipts will at least equal the expenditures, and probably exceed them by more than the surplus of this year. It is fair and equitable, therefore, in determining the economy with which the Government has been run, to exclude the transactions of a department like the Post Office Department, which relies for its support upon its receipts. In calculations heretofore made for comparison of economy in each year, it has been the proper custom only to include in the statement the deficit in the Post Office Department which was paid out of the Treasury.

A calculation of the actual increase in the expenses of Government arising from the increase in the population and the general expansion of governmental functions, except those of the Post Office, for a number of years shows a normal increase of about 4 per cent a year. By directing the exercise of great care to keep down the expenses and the estimates we have succeeded in reducing the total disbursements each year.

THE CREDIT OF THE UNITED STATES.

The credit of this Government was shown to be better than that of any other Government by the sale of the Panama Canal 3 per cent bonds. These bonds did not give their owners the privilege of using them as a basis for bank-note circulation, nor was there any other privilege extended to them which would affect their general market value. Their sale, therefore, measured the credit of the Government. The premium which was realized upon the bonds made the actual interest rate of the transaction 2.909 per cent.

EFFICIENCY AND ECONOMY IN THE TREASURY DEPARTMENT.

In the Treasury Department the efficiency and economy work has been kept steadily up. Provision is made for the elimination of 134 positions during the coming year. Two hundred and sixty-seven statutory positions were eliminated during the last year in the office of the Treasury in Washington, and 141 positions in the year 1910, making an elimination of 542 statutory positions since March 4, 1909; and this has been done without the discharge of anybody, because the normal resignations and deaths have been equal to the elimination of the places, a system of transfers having taken care of the persons whose positions were dropped out. In the field service of the department, too, 1,259 positions have been eliminated down to the present time, making a total net reduction of all Treasury positions to the number of 1,801. Meantime the efficiency of the work of the department has increased.

MONETARY REFORM.

A matter of first importance that will come before Congress for action at this session is monetary reform. The Congress has itself arranged an early introduction of this great question through the report of its Monetary Commission. This commission was appointed to recommend a solution of the banking and currency problems so long confronting the Nation and to furnish the facts and data necessary to enable the Congress to take action. The commission was appointed when an impressive and urgent popular demand for legislative relief suddenly arose out of the distressing situation of the people caused by the deplorable panic of 1907. The Congress decided that while it could not give immediately the relief required, it would provide a commission to furnish the means for prompt action at a later date.

In order to do its work with thoroughness and precision this commission has taken some time to make its report. The country is undoubtedly hoping for as prompt action on the report as the convenience of the Congress can permit. The recognition of the gross imperfections and marked inadequacy of our banking and currency system even in our most quiet financial periods is of long standing; and later there has matured a recognition of the fact that our system is responsible for the extraordinary devastation, waste, and business paralysis of our recurring periods of panic. Though the members of the Monetary Commission have for a considerable time been working in the open, and while large numbers of the people have been openly working with them, and while the press has largely noted and discussed this work as it has proceeded, so that the report of the commission promises to represent a national movement, the details of the report are still being considered. I can not, therefore, do much more at this time than commend the immense importance of monetary reform, urge prompt consideration and action when the commission's report is received, and express my satisfaction that the plan to be proposed promises to embrace main features that, having met the approval of a great preponderance of the practical and professional opinion of the country, are likely to meet equal approval in Congress.

It is exceedingly fortunate that the wise and undisputed policy of maintaining unchanged the main features of our banking system rendered it at once impossible to introduce a central bank; for a central bank would certainly have been resisted, and a plan into which it could have been introduced would probably have been defeated. But as a central bank could not be a part of the only plan discussed or considered, that troublesome question is eliminated. And ingenious and novel as the proposed National Reserve Association appears, it simply is a logical outgrowth of what is best in our present system, and is, in fact, the fulfillment of that system.

Exactly how the management of that association should be organized is a question still open. It seems to be desirable that the banks which would own the association should in the main manage it. It will be an agency of the banks to act for them, and they can be trusted better than anybody else chiefly to conduct it. It is mainly bankers' work. But there must be some form of Government supervision and ultimate control, and I favor a reasonable representation of the Government in the management. I entertain no fear of the introduction of politics or of any undesirable influences from a properly measured Government representation.

I trust that all banks of the country possessing the requisite standards will be placed upon a footing of perfect equality of opportunity. Both the National system and the State system should be fairly recognized, leaving them eventually to coalesce if that shall prove to be their tendency. But such evolution can not develop impartially if the banks of one system are given or permitted any advantages of opportunity over those of the other system. And I trust also that the new legislation will carefully and completely protect and assure the individuality and the independence of each bank, to the end that any tendency there may ever be toward a consolidation of the money or banking power of the Nation shall be defeated.

It will always be possible, of course, to correct any features of the new law which may in practice prove to be unwise; so that while this law is sure to be enacted under conditions of unusual knowledge and authority, it also will include, it is well to remember, the possibility of future amendment.

With the present prospects of this long-awaited reform encouraging us, it would be singularly unfortunate if this monetary question should by any chance become a party issue. And I sincerely hope it will not. The exceeding amount of consideration it has received from the people of the Nation has been wholly nonpartisan; and the Congress set its nonpartisan seal upon it when the Monetary Commission was appointed. In commending the question to the favorable consideration of Congress, I speak for, and in the spirit of, the great number of my fellow citizens who without any thought of party or partisanship feel with remarkable earnestness that this reform is necessary to the interests of all the people.

THE WAR DEPARTMENT.

There is now before Congress a bill, the purpose of which is to increase the efficiency and decrease the expense of the Army. It contains four principal features: First, a consolidation of the General Staff with the Adjutant General's and the Inspector General's Departments; second, a consolidation of the Quartermaster's Department with the Subsistence and the Pay Departments; third, the creation of an Army Service Corps; and fourth, an extension of the enlistment period from three to five years.

With the establishment of an Army Service Corps, as proposed in the bill, I am thoroughly in accord and am convinced that the establishment of such a corps will result in a material economy and a very great increase of efficiency in the Army. It has repeatedly been recommended by me and my predecessors. I also believe that a consolidation of the Staff Corps can be made with a resulting increase in efficiency and economy, but not along the lines provided in the bill under consideration.

I am opposed to any plan the result of which would be to break up or interfere with the essential principles of the detail system in the Staff Corps established by the act of February 2, 1901, and I am opposed to any plan the result of which would be to give to the officer selected as Chief of Staff or to any other member of the General Staff Corps greater permanency of office than he now has. Under the existing law neither the Chief of Staff nor any other member of the General Staff Corps can remain in office for a period of more than four years, and there must be an interval of two years between successive tours of duty.

The bill referred to provides that certain persons shall become permanent members of the General Staff Corps, and that certain others are subject to redetail without an interval of two years. Such provision is fraught with danger to the welfare of the Army, and would practically nullify the main purpose of the law creating the General Staff.

In making the consolidations no reduction should be made in the total number of officers of the Army, of whom there are now too few to perform the duties imposed by law. I have in the past recommended an increase in the number of officers by 600 in order to provide sufficient officers to perform all classes of staff duty and to reduce the number of line officers detached from their commands. Congress at the last session increased the total number of officers by 200, but this is not enough. Promotion in the line of the Army is too slow. Officers do not attain command rank at an age early enough properly to exercise it. It would be a mistake further to retard this already slow promotion by throwing back into the line of the Army a number of high-ranking officers to be absorbed as is provided in the proposed plan of consolidation.

Another feature of the bill which I believe to be a mistake is the proposed increase in the term of enlistment from three to five years. I believe it would be better to enlist men for six years, release them at the end of three years from active service, and put them in reserve for the remaining three years. Reenlistments should be largely confined to the noncommissioned officers and other enlisted men in the skilled grades. This plan, by the payment of a comparatively small compensation during the three years of reserve, would keep a large body of men at the call of the Government, trained and ready for service, and able to meet any exigency.

The Army of the United States is in good condition. It showed itself able to meet an emergency in the successful mobilization of an army division of from 15,000 to 20,000 men, which took place along the border of Mexico during the recent disturbances in that country. The marvelous freedom from the ordinary camp diseases of typhoid fever and measles is referred to in the report of the Secretary of War, and shows such an effectiveness in the sanitary regulations and treatment of the Medical Corps, and in the discipline of the Army itself, as to invoke the highest commendation.

MEMORIAL AMPHITHEATER AT ARLINGTON.

I beg to renew my recommendation of last year that the Congress appropriate for a memorial amphitheater at Arlington, Va., the funds required to construct it upon the plans already approved.

THE PANAMA CANAL.

The very satisfactory progress made on the Panama Canal last year has continued, and there is every reason to believe that the canal will be completed as early as the 1st of July, 1913, unless something unforeseen occurs. This is about 18 months before the time promised by the engineers.

We are now near enough the completion of the canal to make it imperatively necessary that legislation should be enacted to fix the method by which the canal shall be maintained and controlled and the zone governed. The fact is that to-day there is no statutory law by authority of which the President is maintaining the government of the zone. Such authority was given in an amendment to the Spooner Act, which expired by the terms of its own limitation some years ago. Since that time the government has continued, under the advice of the Attorney General that in the absence of action by Congress, there is necessarily an implied authority on the part of the Executive to maintain a government in a territory in which he has to see that the laws are executed. The fact that we have been able thus to get along during the important days of construction without legislation expressly formulating the government of the zone, or delegating the creation of it to the President, is not a reason for supposing that we may continue the same kind of a government after the construction is finished. The implied authority of the President to maintain a civil government in the zone may be derived from the mandatory direction given him in the original Spooner Act, by which he was commanded to build the canal; but certainly, now that the canal is about to be completed and to be put under a permanent management, there ought to be specific statutory authority for its regulation and control and for the government of the zone, which we hold for the chief and main purpose of operating the canal.

I fully concur with the Secretary of War that the problem is simply the management of a great public work, and not the government of a local republic; that every provision must be directed toward the successful maintenance of the canal as an avenue of commerce, and that all provisions for the government of those who live within the zone should be subordinate to the main purpose.

The zone is 40 miles long and 10 miles wide. Now, it has a population of 50,000 or 60,000, but as soon as the work of construction is completed, the towns which make up this population will be deserted, and only comparatively few natives will continue their residence there. The control of them ought to approximate a military government. One judge and two justices of the peace will be sufficient to attend to all the judicial and litigated business there is. With a few fundamental laws of Congress, the zone should be governed by the orders of the President, issued through the War Department, as it is today. Provisions can be made for the guaranties of life, liberty, and property, but beyond those, the government should be that of a military reservation, managed in connection with this great highway of trade.

FURNISHING SUPPLIES AND REPAIRS.

In my last annual message I discussed at length the reasons for the Government's assuming the task of furnishing to all ships that use the canal, whether our own naval vessels or others, the supplies of coal and oil and other necessities with which they must be replenished either before or after passing through the canal, together with the dock facilities and repairs of every character. This it is thought wise to do through the Government, because the Government must establish for itself, for its own naval vessels, large depots and dry docks and warehouses, and these may easily be enlarged so as to secure to the world public using the canal reasonable prices and a certainty that there will be no discrimination between those who wish to avail themselves of such facilities.

TOLLS.

I renew my recommendation with respect to the tolls of the canal that within limits, which shall seem wise to Congress, the power of fixing tolls be given to the President. In order to arrive at a proper conclusion, there must be some experimenting, and this can not be done if Congress does not delegate the power to one who can act expeditiously.

POWER EXISTS TO RELIEVE AMERICAN SHIPPING.

I am very confident that the United States has the power to relieve from the payment of tolls any part of our shipping that Congress deems wise. We own the canal. It was our money that built it. We have the right to charge tolls for its use. Those tolls must be the same to everyone; but when we are dealing with our own ships, the practice of many Governments of subsidizing their own merchant vessels is so well established in general that a subsidy equal to the tolls, an equivalent remission of tolls, can not be held to be a discrimination in the use of the canal. The practice in the Suez Canal makes this clear. The experiment in tolls to be made by the President would doubtless disclose how great a burden of tolls the coastwise trade between the Atlantic and the Pacific coast could bear without preventing its usefulness in competition with the transcontinental railroads. One of the chief reasons for building the canal was to set up this competition and to bring the two shores closer together as a practical trade problem. It may be that the tolls will have to be wholly remitted. I do not think this is the best principle, because I believe that the cost of such a Government work as the Panama Canal ought to be imposed gradually but certainly upon the trade which it creates and makes possible. So far as we can, consistent with the development of the world's trade through the canal, and the benefit which it was intended to secure to the east and west coastwise trade, we ought to labor to secure from the canal tolls a sufficient amount ultimately to meet the debt which we have assumed and to pay the interest.

THE PHILIPPINE ISLANDS.

In respect to the Philippines, I urgently join in the recommendation of the Secretary of War that the act of February 6, 1905, limiting the indebtedness that may be incurred by the Philippine Government for the construction of public works, be increased from $5,000,000 to $15,000,000. The finances of that Government are in excellent condition. The maximum sum mentioned is quite low as compared with the amount of indebtedness of other governments with similar resources, and the success which has attended the expenditure of the $5,000,000 in the useful improvements of the harbors and other places in the Islands justifies and requires additional expenditures for like purposes.

NATURALIZATION.

I also join in the recommendation that the legislature of the Philippine Islands be authorized to provide for the naturalization of Filipinos and others who by the present law are treated as aliens, so as to enable them to become citizens of the Philippine Islands.

FRIARS' LANDS.

Pending an investigation by Congress at its last session, through one of its committees, into the disposition of the friars' lands, Secretary Dickinson directed that the friars' lands should not be sold in excess of the limits fixed for the public lands until Congress should pass upon the subject or should have concluded its investigation. This order has been an obstruction to the disposition of the lands, and I expect to direct the Secretary of War to return to the practice under the opinion of the Attorney General which will enable us to dispose of the lands much more promptly, and to prepare a sinking fund with which to meet the $7,000,000 of bonds issued for the purchase of the lands. I have no doubt whatever that the Attorney General's construction was a proper one, and that it is in the interest of everyone that the land shall be promptly disposed of. The danger of creating a monopoly of ownership in lands under the statutes as construed is nothing. There are only two tracts of 60,000 acres each unimproved and in remote Provinces that are likely to be disposed of in bulk, and the rest of the lands are subject to the limitation that they shall be first offered to the present tenants and lessors who hold them in small tracts.

RIVERS AND HARBORS.

The estimates for the river and harbor improvements reach $32,000,000 for the coming year. I wish to urge that whenever a project has been adopted by Congress as one to be completed, the more money which can be economically expended in its construction in each year, the greater the ultimate economy. This has especial application to the improvement of the Mississippi River and its large branches. It seems to me that an increase in the amount of money now being annually expended in the improvement of the Ohio River which has been formally adopted by Congress would be in the interest of the public. A similar change ought to be made during the present Congress, in the amount to be appropriated for the Missouri River. The engineers say that the cost of the improvement of the Missouri River from Kansas City to St. Louis, in order to secure 6 feet as a permanent channel, will reach $20,000,000. There have been at least three recommendations from the Chief of Engineers that if the improvement be adopted, $2,000,000 should be expended upon it annually. This particular improvement is especially entitled to the attention of Congress, because a company has been organized in Kansas City, with a capital of $1,000,000, which has built steamers and barges, and is actually using the river for transportation in order to show what can be done in the way of affecting rates between Kansas City and St. Louis, and in order to manifest their good faith and confidence in respect of the improvement. I urgently recommend that the appropriation for this improvement be increased from $600,000, as recommended now in the completion of a contract, to $2,000,000 annually, so that the work may be done in 10 years.

WATERWAY FROM THE LAKES TO THE GULF.

The project for a navigable waterway from Lake Michigan to the mouth of the Illinois River, and thence via the Mississippi to the Gulf of Mexico, is one of national importance. In view of the work already accomplished by the Sanitary District of Chicago, an agency of the State of Illinois, which has constructed the most difficult and costly stretch of this waterway and made it an asset of the Nation, and in view of the fact that the people of Illinois have authorized the expenditure of $20,000,000 to carry this waterway 62 miles farther to Utica, I feel that it is fitting that this work should be supplemented by the Government, and that the expenditures recommended by the special board of engineers on the waterway from Utica to the mouth of the Illinois River be made upon lines which while providing a waterway for the Nation should otherwise benefit that State to the fullest extent. I recommend that the term of service of said special board of engineers be continued, and that it be empowered to reopen the question of the treatment of the lower Illinois River, and to negotiate with a properly constituted commission representing the State of Illinois, and to agree upon a plan for the improvement of the lower Illinois River and upon the extent to which the United States may properly cooperate with the State of Illinois in securing the construction of a navigable waterway from Lockport to the mouth of the Illinois River in conjunction with the development of water power by that State between Lockport and Utica.

THE DEPARTMENT OF JUSTICE.

Removal of clerks of Federal courts.

The report of the Attorney General shows that he has subjected to close examination the accounts of the clerks of the Federal courts; that he has found a good many which disclose irregularities or dishonesty; but that he has had considerable difficulty in securing an effective prosecution or removal of the clerks thus derelict. I am certainly not unduly prejudiced against the Federal courts, but the fact is that the long and confidential relations which grow out of the tenure for life on the part of the judge and the practical tenure for life on the part of the clerk are not calculated to secure the strictness of dealing by the judge with the clerk in respect to his fees and accounts which assures in the clerk's conduct a freedom from overcharges and carelessness. The relationship between the judge and the clerk makes it ungracious for members of the bar to complain of the clerk or for department examiners to make charges against him to be heard by the court, and an order of removal of a clerk and a judgment for the recovery of fees are in some cases reluctantly entered by the judge. For this reason I recommend an amendment to the law whereby the President shall be given power to remove the clerks for cause. This provision need not interfere with the right of the judge to appoint his clerk or to remove him.

French spoliation awards.

In my last message, I recommended to Congress that it authorize the payment of the findings or judgments of the Court of Claims in the matter of the French spoliation cases. There has been no appropriation to pay these judgments since 1905. The findings and awards were obtained after a very bitter fight, the Government succeeding in about 75 per cent of the cases. The amount of the awards ought, as a matter of good faith on the part of the Government, to be paid.

EMPLOYERS' LIABILITY AND WORKMEN'S COMPENSATION COMMISSION.

The limitation of the liability of the master to his servant for personal injuries to such as are occasioned by his fault has been abandoned in most civilized countries and provision made whereby the employee injured in the course of his employment is compensated for his loss of working ability irrespective of negligence. The principle upon which such provision proceeds is that accidental injuries to workmen in modern industry, with its vast complexity and inherent dangers arising from complicated machinery and the use of the great forces of steam and electricity, should be regarded as risks of the industry and the loss borne in some equitable proportion by those who for their own profit engage therein. In recognition of this the last Congress authorized the appointment of a commission to investigate the subject of employers' liability and workmen's compensation and to report the result of their investigations, through the President, to Congress. This commission was appointed and has been at work, holding hearings, gathering data, and considering the subject, and it is expected will be able to report by the first of the year, in accordance with the provisions of the law. It is hoped and expected that the commission will suggest legislation which will enable us to put in the place of the present wasteful and sometimes unjust system of employers' liability a plan of compensation which will afford some certain and definite relief to all employees who are injured in the course of their employment in those industries which are subject to the regulating power of Congress.

MEASURES TO PREVENT DELAY AND UNNECESSARY COST OF LITIGATION.

In promotion of the movement for the prevention of delay and unnecessary cost, in litigation, I am glad to say that the Supreme Court has taken steps to reform the present equity rules of the Federal courts, and that we may in the near future expect a revision of them which will be a long step in the right direction.

The American Bar Association has recommended to Congress several bills expediting procedure, one of which has already passed the House unanimously, February 6, 1911. This directs that no judgment should be set aside or reversed, or new trial granted, unless it appears to the court, after an examination of the entire cause, that the error complained of has injuriously affected the substantial rights of the parties, and also provides for the submission of issues of fact to a jury, reserving questions of law for subsequent argument and decision. I hope this bill will pass the Senate and become law, for it will simplify the procedure at law.

Another bill to amend chapter 11 of the Judicial Code, in order to avoid errors in pleading, was presented by the same association, and one enlarging the jurisdiction of the Supreme Court so as to permit that court to examine, upon a writ of error, all cases in which any right or title is claimed under the Constitution, or any statute or treaty of the United States, whether the decision in the court below has been against the right or title or in its favor. Both these measures are in the interest of justice and should be passed.

POST OFFICE.

At the beginning of the present administration in 1909 the postal service was in arrears to the extent of $17,479,770.47. It was very much the largest deficit on record. In the brief space of two years this has been turned into a surplus of $220,000, which has been accomplished without curtailment of the postal facilities, as may be seen by the fact that there have been established 3,744 new post offices; delivery by carrier has been added to the service in 186 cities; 2,516 new rural routes have been established, covering 60,000 miles; the force of postal employees has been increased in these two years by more than 8,000, and their average annual salary has had a substantial increase.

POSTAL-SAVINGS SYSTEM.

On January 3, 1911, postal-savings depositories were established experimentally in 48 States and Territories. After three months' successful operation the system was extended as rapidly as feasible to the 7,500 post offices of the first, second, and third classes constituting the presidential grade. By the end of the year practically all of these will have been designated and then the system will be extended to all fourth-class post offices doing a money-order business.

In selecting post offices for depositories consideration was given to the efficiency of the postmasters and only those offices where the ratings were satisfactory to the department have been designated. Withholding designation from postmasters with unsatisfactory ratings has had a salutary effect on the service.

The deposits have kept pace with the extension of the system. Amounting to only $60,652 at the end of the first month's operation in the experimental offices, they increased to $679,310 by July, and now after 11 months of operation have reached a total of $11,000,000. This sum is distributed among 2,710 banks and protected under the law by bonds deposited with the Treasurer of the United States.

Under the method adopted for the conduct of the system certificates are issued as evidence of deposits, and accounts with depositors are kept by the post offices instead of by the department. Compared with the practice in other countries of entering deposits in pass books and keeping at the central office a ledger account with each depositor, the use of the certificate has resulted in great economy of administration.

The depositors thus far number approximately 150,000. They include 40 nationalities, native Americans largely predominating and English and Italians coming next.

The first conversion of deposits into United States bonds bearing interest at the rate of 2½ per cent occurred on July 1, 1911, the amount of deposits exchanged being $41,900, or a little more than 6 per cent of the total outstanding certificates of deposit on June 30. Of this issue, bonds to the value of $6,120 were in coupon form and $35,780 in registered form.

PARCEL POST.

Steps should be taken immediately for the establishment of a rural parcel post. In the estimates of appropriations needed for the maintenance of the postal service for the ensuing fiscal year an item of $150,000 has been inserted to cover the preliminary expense of establishing a parcel post on rural mail routes, as well as to cover an investigation having for its object the final establishment of a general parcel post on all railway and steamboat transportation routes. The department believes that after the initial expenses of establishing the system are defrayed and the parcel post is in full operation on the rural routes it will not only bring in sufficient revenue to meet its cost, but also a surplus that can be utilized in paying the expenses of a parcel post in the City Delivery Service.

It is hoped that Congress will authorize the immediate establishment of a limited parcel post on such rural routes as may be selected, providing for the delivery along the routes of parcels not exceeding eleven pounds, which is the weight limit for the international parcel post, or at the post office from which such route emanates, or on another route emanating from the same office. Such preliminary service will prepare the way for the more thorough and comprehensive inquiry contemplated in asking for the appropriation mentioned, enable the department to gain definite information concerning the practical operation of a general system, and at the same time extend the benefit of the service to a class of people who, above all others, are specially in need of it.

The suggestion that we have a general parcel post has awakened great opposition on the part of some who think that it will have the effect to destroy the business of the country storekeeper. Instead of doing this, I think the change will greatly increase business for the benefit of all. The reduction in the cost of living it will bring about ought to make its coming certain.

THE NAVY DEPARTMENT.

On the 2d of November last, I reviewed the fighting fleet of battleships and other vessels assembled in New York Harbor, consisting of 24 battleships, 2 armored cruisers, 2 cruisers, 22 destroyers, 12 torpedo boats, 8 submarines, and other attendant vessels, making 98 vessels of all classes, of a tonnage of 576,634 tons. Those who saw the fleet were struck with its preparedness and with its high military efficiency. All Americans should be proud of its personnel.

The fleet was deficient in the number of torpedo destroyers, in cruisers, and in colliers, as well as in large battleship cruisers, which are now becoming a very important feature of foreign navies, notably the British, German, and Japanese.

The building plan for this year contemplates two battleships and two colliers. This is because the other and smaller vessels can be built much more rapidly in case of emergency than the battleships, and we certainly ought to continue the policy of two battleships a year until after the Panama Canal is finished and until in our first line and in our reserve line we can number 40 available vessels of proper armament and size.

The reorganization of the Navy and the appointment of four aids to the Secretary have continued to demonstrate their usefulness. It would be difficult now to administer the affairs of the Navy without the expert counsel and advice of these aids, and I renew the recommendation which I made last year, that the aids be recognized by statute.

It is certain that the Navy, with its present size, should have admirals in active command higher than rear admirals. The recognized grades in order are: Admiral of the fleet, admiral, vice admiral, and rear admiral. Our great battleship fleet is commanded by a rear admiral, with four other rear admirals under his orders. This is not as it should be, and when questions of precedence arise between our naval officers and those of European navies, the American rear admiral, though in command of ten times the force of a foreign vice admiral, must yield precedence to the latter. Such an absurdity ought not to prevail, and it can be avoided by the creation of two or three positions of flag rank above that of rear admiral.

I attended the opening of the new training school at North Chicago, Ill., and am glad to note the opportunity which this gives for drawing upon young men of the country from the interior, from farms, stores, shops, and offices, which insures a high average of intelligence and character among them, and which they showed in the very wonderful improvement in discipline and drill which only a few short weeks' presence at the naval station had made.

I invite your attention to the consideration of the new system of detention and of punishment for Army and Navy enlisted men which has obtained in Great Britain, and which has made greatly for the better control of the men. We should adopt a similar system here.

Like the Treasury Department and the War Department, the Navy Department has given much attention to economy in administration, and has cut down a number of unnecessary expenses and reduced its estimates except for construction and the increase that that involves.

I urge upon Congress the necessity for an immediate increase of 2,000 men in the enlisted strength of the Navy, provided for in the estimates. Four thousand more are now needed to man all the available vessels.

There are in the service to-day about 47,750 enlisted men of all ratings.

Careful computation shows that in April, 1912, 49,166 men will be required for vessels in commission, and 3,000 apprentice seamen should be kept under training at all times.

ABOLITION OF NAVY YARDS.

The Secretary of the Navy has recommended the abolition of certain of the smaller and unnecessary navy yards, and in order to furnish a complete and comprehensive report has referred the question of all navy yards to the joint board of the Army and Navy. This board will shortly make its report and the Secretary of the Navy advises me that his recommendations on the subject will be presented early in the coming year. The measure of economy contained in a proper handling of this subject is so great and so important to the interests of the Nation that I shall present it to Congress as a separate subject apart from my annual message. Concentration of the necessary work for naval vessels in a few navy yards on each coast is a vital necessity if proper economy in Government expenditures is to be attained.

AMALGAMATION OF STAFF CORPS IN THE NAVY.

The Secretary of the Navy is striving to unify the various corps of the Navy to the extent possible and thereby stimulate a Navy spirit as distinguished from a corps spirit. In this he has my warm support.

All officers are to be naval officers first and specialists afterwards. This means that officers will take up at least one specialty, such as ordnance, construction, or engineering. This is practically what is done now, only some of the specialists, like the pay officers and naval constructors, are not of the line. It is proposed to make them all of the line.

All combatant corps should obviously be of the line. This necessitates amalgamating the pay officers and also those engaged in the technical work of producing the finished ship. This is at present the case with the single exception of the naval constructors, whom it is now proposed to amalgamate with the line.

COUNCIL OF NATIONAL DEFENSE.

I urge again upon Congress the desirability of establishing the council of national defense. The bill to establish this council was before Congress last winter, and it is hoped that this legislation will pass during the present session. The purpose of the council is to determine the general policy of national defense and to recommend to Congress and to the President such measures relating to it as it shall deem necessary and expedient.

No such machinery is now provided by which the readiness of the Army and Navy may be improved and the programs of military and naval requirements shall be coordinated and properly scrutinized with a view of the necessities of the whole Nation rather than of separate departments.

DEPARTMENTS OF AGRICULTURE AND COMMERCE AND LABOR.

For the consideration of matters which are pending or have been disposed of in the Agricultural Department and in the Department of Commerce and Labor, I refer to the very excellent reports of the Secretaries of those departments. I shall not be able to submit to Congress until after the Christmas holidays the question of conservation of our resources arising in Alaska and the West and the question of the rate for second-class mail matter in the Post Office Department.

COMMISSION ON EFFICIENCY AND ECONOMY.

The law does not require the submission of the reports of the Commission on Economy and Efficiency until the 31st of December. I shall therefore not be able to submit a report of the work of that commission until the assembling of Congress after the holidays.

CIVIL RETIREMENT AND CONTRIBUTORY PENSION SYSTEM.

I have already advocated, in my last annual message, the adoption of a civil-service retirement system, with a contributory feature to it so as to reduce to a minimum the cost to the Government of the pensions to be paid. After considerable reflection, I am very much opposed to a pension system that involves no contribution from the employees. I think the experience of other governments justifies this view; but the crying necessity for some such contributory system, with possibly a preliminary governmental outlay, in order to cover the initial cost and to set the system going at once while the contributions are accumulating, is manifest on every side. Nothing will so much promote the economy and efficiency of the Government as such a system.

ELIMINATION OF ALL LOCAL OFFICES FROM POLITICS.

I wish to renew again my recommendation that all the local offices throughout the country, including collectors of internal revenue, collectors of customs, postmasters of all four classes, immigration commissioners and marshals, should be by law covered into the classified service, the necessity for confirmation by the Senate be removed, and the President and the others, whose time is now taken up in distributing this patronage under the custom that has prevailed since the beginning of the Government in accordance with the recommendation of the Senators and Congressmen of the majority party, should be relieved from this burden. I am confident that such a change would greatly reduce the cost of administering the Government, and that it would add greatly to its efficiency. It would take away the power to use the patronage of the Government for political purposes. When officers are recommended by Senators and Congressmen from political motives and for political services rendered, it is impossible to expect that while in office the appointees will not regard their tenure as more or less dependent upon continued political service for their patrons, and no regulations, however stiff or rigid, will prevent this, because such regulations, in view of the method and motive for selection, are plainly inconsistent and deemed hardly worthy of respect.

WM. H. TAFT.

SPECIAL MESSAGE.

[On economy and efficiency in the Government service.]

THE WHITE HOUSE, *January 17, 1912.*

To the Senate and House of Representatives:

I submit for the information of the Congress this report of progress made in the inquiry into the efficiency and economy of the methods of transacting public business.

Efficiency and economy in the Government service have been demanded with increasing insistence for a generation. Real economy is the result of efficient organization. By perfecting the organization the same benefits may be obtained at less expense. A reduction in the total of the annual appropriations is not in itself a proof of economy, since it is often accompanied by a decrease in efficiency. The needs of the Nation may demand a large increase of expenditure, yet to keep the total appropriations within the expected revenue is necessary to the maintenance of public credit.

Upon the President must rest a large share of the responsibility for the demands made upon the Treasury for the current administration of the executive branch of the Government. Upon the Congress must rest responsibility for those grants of public funds which are made for other purposes.

REASON FOR THE INQUIRY.

Recognizing my share of responsibility for efficient and economical administration, I have endeavored during the past two years, with the assistance of heads of departments, to secure the best results. As one of the means to this end I requested a grant from Congress to make my efforts more effective.

An appropriation of $100,000 was made June 25, 1910, "to enable the President to inquire into the methods of transacting the public business of the executive departments and other Government establishments and to recommend to Congress such legislation as may be necessary to carry into effect changes found to be desirable that can not be accomplished by Executive action alone." I have been given this fund to enable me to take action and to make specific recommendations with respect to the details of transacting the business of an organization whose activities are almost as varied as those of the entire business world. The operations of the Government affect the interest of every person living within the jurisdiction of the United States. Its organization embraces stations and centers of work located in every city and in many local subdivisions of the country. Its gross expenditures amount to nearly $1,000,000,000 annually. Including the personnel of the Military and Naval Establishments, more than 400,000 persons are required to do the work imposed by law upon the executive branch of the Government.

MAGNITUDE OF THE TASK.

This vast organization has never been studied in detail as one piece of administrative mechanism. Never have the foundations been laid for a thorough consideration of the relations of all of its parts. No comprehensive effort has been made to list its multifarious activities or to group them in such a way as to present a clear picture of what the Government is doing. Never has a complete description been given of the agencies through which these activities are performed. At no time has the attempt been made to study all of these activities and agencies with a view to the assignment of each activity to the agency best fitted for its performance, to the avoidance of duplication of plant and work, to the integration of all administrative agencies of the Government, so far as may be practicable, into a unified organization for the most effective and economical dispatch of public business.

FIRST COMPLETE INVESTIGATION.

Notwithstanding that voluminous reports are compiled annually and presented to the Congress, no satisfactory statement has ever been published of the financial transactions of the Government as a whole. Provision is made for due accountability for all moneys coming into the hands of officers of the Government, whether as collectors of revenue or disbursing agents, and for insuring that authorizations for expenditures as made by law shall not be exceeded. But no general system has ever been devised for reporting and presenting information regarding the character of the expenditures made, in such a way as to reveal the actual costs entailed in the operation of individual services and in the performance of particular undertakings; nor in such a way as to make possible the exercise of intelligent judgment regarding the discretion displayed in making expenditure and concerning the value of the results obtained when contrasted with the sacrifices required. Although earnest efforts have been put forth by administrative officers and though many special inquiries have been made by the Congress, no exhaustive investigation has ever before been instituted concerning the methods employed in the transaction of public business with a view to the adoption of the practices and procedure best fitted to secure the transaction of such business with maximum dispatch, economy, and efficiency.

With large interests at stake the Congress and the Administration have never had all the information which should be currently available if the most intelligent direction is to be given to the business in hand.

I am convinced that results which are really worth while can not be secured, or at least can be secured only in small part, through the prosecution at irregular intervals of special inquiries bearing on particular services or features of administration. The benefits thus obtained must be but temporary. The problem of good administration is not one that can be solved at one time. It is a continuously present one.

PLAN OF THE WORK.

In accordance with my instructions, the Commission on Economy and Efficiency, which I organized to aid me in the inquiry, has directed its efforts primarily to the formulation of concrete recommendations looking to the betterment of the fundamental conditions under which governmental operations must be carried on. With a basis thus laid, it has proceeded to the prosecution of detailed studies of individual services and classes of work, and of particular practices and methods, pushing these studies as far, and covering as many points and services, as the resources and time at its disposal have permitted.

In approaching its task it has divided the work into five fields of inquiry having to do respectively with organization, personnel, business methods, accounting and reporting, and the budget.

ORGANIZATION.

I have stated that the Congress, the President, and the administrative officers are attempting to discharge the duties with which they are intrusted without full information as to the agencies through which the work of the Government is being performed. To provide more complete information on this point the commission has submitted to me a report on the organization of the Government as it existed July 1, 1911. This report, which is transmitted herewith, shows in great detail, by means of outlines, not only the departments, commissions, bureaus, and offices through which the Government performs its varied activities, but also the sections, shops, field stations, etc., constituting the subordinate divisions through which the work is actually done. It shows for the services at Washington each such final unit as a laboratory, library, shop, and administrative subdivision; and for the services outside of Washington each station and point at which any activity of the Government is carried on.

OUTLINES OF ORGANIZATION.

From these outlines it is possible to determine not only how each department, bureau, and operating unit, such as a navy yard, is organized, but also, by classifying these units by character and geographical location, the number of units of a like character that exist at Washington, and the number and character of services of the Government in each city or other point in the United States. With this information available, it is possible to study any particular activity or the problem of maintaining services at any given city or point.

Information of this character has never before been available. Administrative officials have been called upon to discharge their duties without that full knowledge of the machinery under their direction which is so necessary to the exercise of effective control; much less have they had information regarding agencies in other services that might be made use of. Under such circumstances each service is compelled to rely upon itself, to build up its own organization, and to provide its own facilities regardless of those in existence elsewhere.

This outline has been prepared on the loose-leaf system, so that it is possible to keep it revised to date at little or no expense. The outline thus constitutes a work of permanent value.

COMPREHENSIVE PLAN OF ORGANIZATION.

With this outline as a basis, the commission has entered upon the preparation of three series of reports. The first series deals with the manner in which the services of the Government should be grouped in departments. This is a matter of fundamental importance. It is only after a satisfactory solution of this problem that many important measures of reform become possible. Only by grouping services according to their character can substantial progress be made in eliminating duplication of work and plant and proper working relations be established between services engaged in similar activities. Until the head of a department is called upon to deal exclusively with matters falling in but one or a very few distinct fields, effective supervision and control is impossible. As long as the same department embraces services so diverse in character as those of life saving and the management of public finances, standardization of accounting methods and of other business practices is exceedingly difficult of attainment.

So dependent are other reforms upon the proper grouping of services that I have instructed the commission to indicate in its report the changes which should be made in the existing organization and to proceed in the same way as would far-seeing architects or engineers in planning for the improvement and development of a great city. My desire is to secure and to furnish to the Congress a scheme of organization that can be used as a basis of discussion and action for years to come.

In the past services have been created one by one as exigencies have seemed to demand, with little or no reference to any scheme of organization of the Government as a whole. I am convinced that the time has come when the Government should take stock of all its activities and agencies and formulate a comprehensive plan with reference to which future changes may be made. The report of the commission is being prepared with this idea in mind. When completed it will be transmitted to the Congress. The recommendations will be of such a character that they can be acted upon one by one if they commend themselves to the Congress and as action in regard to any one of them is deemed to be urgent.

REPORTS ON PARTICULAR SERVICES.

The second and third series of reports deal, respectively, with the organization and activities of particular services, and the form of organization for the performance of particular business operations.

One of the reports of the second series is upon the Revenue-Cutter Service, which costs the Government over two and a half million dollars each year. In the opinion of the commission its varied activities can be performed with equal, or greater, advantage by other services. The commission, therefore, recommends that it be abolished. It is estimated that by so doing a saving of not less than $1,000,000 a year can be made.

Another report illustrating the second series recommends that the Lighthouse and Life-Saving Services be administered by a single bureau instead of as at present by two bureaus located in different departments. These services have much in common. Geographically, they are similarly located; administratively, they have many of the same problems. It is estimated that consolidation would result in a saving of not less than $100,000 annually.

In a third report the commission has recommended the abolition of the Returns Office of the Department of the Interior. This action, in its opinion, will cause no loss in service to the public and will result in a direct saving of not less than $25,000 a year, in addition to a large indirect economy in the reduction of work to be performed in the several offices.

In another report the commission has recommended the consolidation of the six auditing offices of the Treasury and the inclusion in the auditing system of the seven naval officers who now audit customs accounts at the principal ports. The changes recommended will improve in many ways the auditing of public accounts and will result in an immediate saving of at least $135,000 annually.

GENERAL TECHNICAL SERVICES.

A third series of reports is being prepared on those branches of the organization which are technical in character and which exist for the service of the Government as a whole—branches which have to do with such matters as public printing, heating, lighting, the making of repairs, the providing of transportation, and the compilation of statistics where mechanical equipment is essential.

ABOLITION OF LOCAL OFFICES.

Perhaps the part of the organization in which the greatest economy in public expenditure is possible is to be found in the numerous local offices of the Government. In some instances the establishment and the discontinuance of these local offices are matters of administrative discretion. In other instances they are established by permanent law in such a manner that their discontinuance is beyond the power of the President or that of any executive officer. In a number of services these laws were passed nearly a century ago. Changes in economic conditions have taken place which have had the effect of rendering certain offices not only useless but even worse than useless in that their very existence needlessly swells expenditures and complicates the administrative system.

The attention of the Congress has been called repeatedly to these conditions. In some instances the Congress has approved recommendations for the abolition of useless positions. In other cases not only do the recommendations of the Executive that useless positions be abolished remain unheeded, but laws are passed to establish new offices at places where they are not needed.

The responsibility for the maintenance of these conditions must naturally be divided between the Congress and the Executive. But that the Executive has performed his duty when he has called the attention of the Congress to the matter must also be admitted. Realizing my responsibility in the premises, I have directed the commission to prepare a report setting forth the positions in the local services of the Government which may be discontinued with advantage, the saving which would result from such action and the changes in law which are necessary to carry into effect changes in organization found to be desirable. On the coming in of the report, such offices as may be found useless and can be abolished will be so treated by Executive order.

PERSONNEL.

In my recent message to the Congress I urged consideration of the necessity of placing in the classified service all of the local officers under the Departments of the Treasury, the Interior, Post Office, and Commerce and Labor.

CLASSIFICATION OF LOCAL OFFICERS.

The importance of the existence of a competent and reasonably permanent civil service was not appreciated until the last quarter of the last century. At that time examinations were instituted as a means of ascertaining whether candidates for appointment possessed the requisite qualifications for Government positions. Since then it has come to be universally admitted that entrance to almost every subordinate position in the public service should be dependent upon the proof in some appropriate way of the ability of the appointee.

As yet, however, little if any attempt has been made by law to secure, either for the higher administrative positions in the service at Washington or for local offices, the qualifications which the incumbents of these positions must have if the business of the Government is to be conducted in the most efficient and economical manner. Furthermore, in the case of many of the local officers the law positively provides that the term of office shall be of four years' duration.

The next step which must be taken is to require of heads of bureaus in the departments at Washington, and of most of the local officers under the departments, qualifications of capacity similar to those now required of certain heads of bureaus and of local officers. The extension of the merit system to these officers and a needed readjustment of salaries will have important effects in securing greater economy and efficiency.

In the first place, the possession by the incumbents of these positions of the requisite qualifications must in itself promote efficiency.

In the second place, the removal of local officers from the realm of political patronage in many cases would reduce the pay roll of the field services. At the present time the incumbents of many of these positions leave the actual performance of many of their duties to deputies and assistants. The Government often pays two persons for doing work that could easily be done by one. What is the loss to the Government can not be stated, but that it is very large can not be denied, when it is remembered how numerous are the local officers in the postal, customs, internal revenue, public lands, and other field services of the Government.

In the third place, so long as local officers are within the sphere of political patronage it is difficult to consider the question of the establishment or discontinuance of local offices apart from the effect upon local political situations.

Finally, the view that these various offices are to be filled as a result of political considerations has for its consequence the necessity that the President and Members of Congress devote to matters of patronage time which they should devote to questions of policy and administration.

The greatest economy and efficiency, and the benefits which may accrue from the President's devoting his time to the work which is most worth while, may be assured only by treating all the distinctly administrative officers in the departments at Washington and in the field in the same way as inferior officers have been treated. The time has come when all these officers should be placed in the classified service. The time has also come when those provisions of law which give to these officers a fixed term of years should be repealed. So long as a fixed term is provided by law the question of reappointment of an officer, no matter how efficiently he may have performed his duties, will inevitably be raised periodically. So long as appointments to these offices must be confirmed by the Senate, and so long as appointments to them must be made every four years, just so long will it be impossible to provide a force of employees with a reasonably permanent tenure who are qualified by reason of education and training to do the best work.

SUPERANNUATION.

Attention has been directed in recent years to the need of a suitable plan of retiring the superannuated employees in the executive civil service. In the belief that it is desirable that any steps toward the establishment of such a plan shall be taken with caution, I instructed the commission to make an inquiry first into the conditions at Washington. This inquiry has been directed to the ascertainment of the extent to which superannuation now exists and to the consideration of the availability of the various plans which either have been proposed for adoption in this country or have actually been adopted in other countries. I shall submit, in the near future, for the consideration of the Congress a plan for the retirement of aged employees in the civil service which will safeguard the interests of the Government and at the same time make reasonable provision for the needs of those who have given the best part of their lives to the service of the State.

EFFICIENCY OF PERSONNEL.

I have caused inquiry to be made into the character of the appointees from the point of view of efficiency and competence which has resulted from present methods of appointment; into the present relation of compensation to the character of work done; into the existing methods of promotion and the keeping of efficiency records in the various departments; and into the conditions of work in Government offices. This inquiry will help to determine to what extent conditions of work are uniform in the different departments and how far uniformity in such conditions will tend to improve the service. I have felt that satisfaction with the conditions in which they worked was a necessary prerequisite to an efficient personnel, and that satisfaction was not to be expected where conditions in one department were less favorable than in another.

This inquiry has not been completed. When it has been ascertained that evils exist which can be remedied through the exercise of the powers now vested in the President, I shall endeavor to remedy those evils. Where that is not the case, I shall present for the consideration of the Congress plans which, I believe, will be followed by great improvement in the service.

BUSINESS METHODS.

In every case where technical processes have been studied it has been demonstrated beyond question that large economies may be effected. The subjects first approached were those which lie close to each administrator, viz., office practices. An illustration of the possibilities within this field may be found in the results of the inquiry into the methods of handling and filing correspondence. Every office in the Government has reported its methods to the commission. These reports brought to light the fact that present methods were quite the reverse of uniform. Some offices follow the practice of briefing all correspondence; some do not. Some have flat files; others fold all papers before filing. Some use press copies; others retain only carbon copies.

UNNECESSARY COST OF HANDLING AND FILING CORRESPONDENCE.

The reports also show not only a very wide range in the methods of doing this comparatively simple part of the Government business, but an extraordinary range in cost. For the handling of incoming mail the averages of cost by departments vary from $5.84 to $81.40 per 1,000. For the handling of outgoing mail the averages by departments vary from $5.94 to $69.89 per 1,000. This does not include the cost of preparation, but is confined merely to the physical side of the work. The variations between individual offices is many times greater than that shown for averages by departments.

It is at once evident either that it is costing some of the offices too little or that others are being run at an unwarranted expense. Nor are these variations explained by differences in character of work. For example, there are two departments which handle practically the same kind of business and in very large volume. The average cost of handling incoming mail to one was found to be over six times as great as the cost of handling incoming mail to the other.

It has been found that differences of average cost by departments closely follow differences in method and that the greatest cost is found in the department where the method is most involved. Another fact is of interest, viz., that in two departments, which already show low averages, orders have been issued which will lead to a large saving without impairing efficiency. It can not be said what the saving ultimately will be when the attention of officers in all of the departments has been focused on present methods with a view to changing them in such manner as to reduce cost to the lowest point compatible with efficient service. It, however, must be a considerable percentage of nearly $5,000,000, the total estimated cost of handling this part of the Government business at Washington.

Results have already been obtained which are noteworthy. Mention has been made of the orders issued by two departments. Of these the order of one is most revolutionary in character, since it requires flat filing, where before all correspondence was folded; the doing away with letterpress copies; and the discontinuance of indorsements on slips, one of the most expensive processes and one which in the other department has been carried to very great length.

NEED FOR LABOR-SAVING OFFICE DEVICES.

The use of labor-saving office devices in the service has been made the subject of special inquiry. An impression prevails that the Government is not making use of mechanical devices for economizing labor to the same extent as are efficiently managed private enterprises. A study has been made of the extent to which devices of this character are now being employed in the several branches of the Government and the opportunities that exist for their more general use. In order to secure information as to the various kinds of labor-saving devices that are in existence and as to their adaptability to Government work, an exhibition of labor-saving office appliances was held in Washington from July 6 to 15, 1911. One hundred and ten manufacturers and dealers participated, and more than 10,000 officers and employees visited the exhibition. There is no doubt that the exhibition served the purpose of bringing to the attention of officers devices which can be employed by them with advantage. The holding of this exhibition was, however, but a step preparatory to the contemplated investigation.

UNNECESSARY COST OF COPY WORK.

The efforts of the commission resulted also in the adoption by several bureaus or departments of improved methods of doing copying. The amount of copy work heretofore done by hand each year in the many offices is estimated to aggregate several hundred thousand dollars. The commission exhibited, at its offices, appliances that were thought to be especially adapted to this kind of Government work. Following these demonstrations methods of copying were introduced which have brought about a saving of over 75 per cent in offices where used for six months. This change in one small cross section of office practice will more than offset the whole cost of my inquiry.

WASTE IN THE DISTRIBUTION OF PUBLIC DOCUMENTS.

Going outside the office, one of the business processes which have been investigated is the distribution of departmental documents. This is a subject with which both the Congress and Administration heads are familiar. The prevailing practice in handling departmental publications is to have them manufactured at the Government Printing Office; each job when completed is delivered to the department; here the books or pamphlets are wrapped and addressed; they are then sent to the post office; there they are assorted and prepared for shipment through the mails; from the post office they are sent to the railroad station, which is only a few steps from the Government Printing Office, whence they started. The results of this laborious and circuitous method is to make the use of the best mechanical equipment impracticable and to waste each year not less than a quarter of a million dollars of Government funds in useless handling, to say nothing of the indirect loss due to lack of proper coordination.

WASTEFUL USE OF PROPERTIES AND EQUIPMENT.

The use of equipment is a matter which also has been investigated. Up to the present time this investigation has been in the main confined to the subject of electric lighting. The Government pays over $600,000 per year for electric current; it has made large capital outlays for wiring and fixtures. With the increasing demands in many buildings the present equipment is taxed to its limit and if the present methods are continued much of this wiring must be done over; in many places employees are working at a great physical disadvantage, due to inadequate and improper lighting, and thereby with reduced efficiency. In every place where the inquiry has been conducted it appears that there is large waste; that without the cost of rewiring, simply by giving proper attention to location of lights and the use of proper lamps and reflectors, the light efficiency at points where needed may be much increased and the cost of current reduced from 30 to 60 per cent. Other inquiries into the use which is being made of properties and equipment are contemplated which promise even larger results.

UNNECESSARY COST OF INSURANCE.

It is the policy of the Government not to insure public property against fire and other losses. Question has been raised whether the Government might not apply the same principle to other forms of risk, including insurance of the fidelity of officials and employees. A report is now in preparation on the subject which will show opportunities for large savings. I believe that the present expense for insuring the faithful execution of contracts, which, though paid by the contractor, is more than covered in the added price to the Government, can be largely reduced without taking away any element of security.

LACK OF SPECIFICATIONS.

The importance of establishing and maintaining standard specifications is found not only in the possibility of very materially reducing the direct cost of Government trading, but also in insuring to the service materials, supplies, and equipment which are better adapted to its purposes. One of the results of indefiniteness of specifications is to impose contract conditions which make it extra-hazardous for persons to enter into contractual relations. This not only deprives the Government of the advantage of broad competition, but causes it to pay an added margin in price to vendors who must carry the risk. The specifications which may have been worked out in one department usually differ from specifications for the same article to be used in another department. Much progress has been made toward improving this condition through the schedules of the General Supply Committee, but there are many classes of supplies not on these lists which may be standardized, and the articles which are there listed may be specified with exactness.

In connection with standard specifications for purchasing, the subject of a standard form of contract has been given consideration. No one form or small number of forms will be applicable to all the agreements into which the Government enters. There can be standard conditions and provisions for such contracts, however, and the work in this connection is being prosecuted in an effort to simplify the forms of contracts and to do away with the great diversity of requirements which so often perplex and irritate those who wish to enter into a contract with the Government.

EXCESSIVE COST OF TRAVEL.

One of the first steps taken toward constructive work was the reclassification of the expenditures for the year 1910 by objects. The foundation was thus made for the investigation of Government trading practices. While it was recognized that this large field could not be covered within a year except at enormous cost, the subjects of "Transportation of persons" and "Subsistence while in travel status" were taken as concrete examples. The annual cost of travel to the Government was found to be about $12,000,000. It was also found that the Government employees were traveling in practically every way that was open to the public; it was further found that although the Government was the largest user of transportation, it was buying railroad tickets on a less favorable basis than would be possible if the subject of traveling expenditures were systematically handled from the point of view of the Government as a whole. The form of ticket most often used between such points as New York, Philadelphia, and Washington was the single-trip first-class ticket. In two departments definite tests have been made in the use of mileage books and in each practically the same result has been reported, viz., an average saving of a little over one-half of 1 cent per mile. What the possible saving to the Government by a more systematic handling of transportation may be, can not be estimated at this time. Upon inquiry it was found that an analysis of travel vouchers for the year would cost not less than $120,000. The investigation, therefore, was confined to the analysis of travel vouchers which came to departments during the month of April. A report of the result of this inquiry has been made and at an early date will be sent to the Congress with recommendations.

One of the results or by-products of this inquiry into travel expenses was the recommendation that the jurat or affidavit which is now required by order of the comptroller be discontinued. The jurat does not add to the value of the return, involves persons traveling in much annoyance and trouble in going before an officer competent to administer oaths, while every disciplinary result is obtained through certification under the law prescribing a penalty for the falsification of accounts. A discontinuance of the jurat in all cases would result in a direct saving of about $60,000 per annum.

OTHER EXPENDITURES TO BE INVESTIGATED.

Before economy in Government trading can be adequately covered, such subjects as the following must be systematically inquired into, viz.: Subsistence and support of persons; subsistence and care for animals and the storage and care of vehicles; telephone, telegraph, and commercial messenger service; printing, engraving, lithographing, and binding; advertising and the publication of notices; heat, light, power, and electricity purchased; repairs by contract and open market order; building and other materials; drafting, scientific and stationery supplies; fuel; mechanics', engineering, and electricians' supplies; cleaning and toilet supplies; wearing apparel and hand-sewing supplies; forage and other supplies for animals; provisions; explosives and pyrotechnic supplies; heat, light, power, and electrical equipment; live stock; furniture and furnishings; educational and scientific equipment. From what has been already ascertained concerning certain of these different objects of Government expenditure, it is evident that large savings will result from such an examination.

BETTER METHODS FOR PURCHASING.

Through a long period of years and by numerous laws and orders there has grown up a procedure governing public advertising and contracting that is more burdensome and expensive in some cases than is necessary. The procedure is not uniform in the various departments; it is not uniform in many cases for the different services in the same department. To make uniform the requirements so far as practicable will be in the interest of economy and efficiency and bring about that simplicity that will secure the largest opportunity for contractors to bid for Government work, and will secure for the Government the most favorable prices obtained by any purchaser.

ACCOUNTING AND REPORTING.

In my message of March 3, 1911, attention was called to some of the defects in the present methods of accounting and reporting. I said:

> The condition under which legislators and administrators, both past and present, have been working may be summarized as follows: There have been no adequate means provided whereby either the President or

his advisers may act with intelligence on current business before them; there has been no means for getting prompt, accurate, and correct information as to results obtained; * * * there have been practically no accounts showing what the Government owns and only a partial representation of what it owes; appropriations have been over encumbered without the facts being known; officers of Government have had no regular or systematic method of having brought to their attention the costs of governmental administration, operation, and maintenance, and therefore could not judge as to economy or waste; there has been inadequate means whereby those who served with fidelity and efficiency might make a record of accomplishment and be distinguished from those who were inefficient and wasteful; functions and establishments have been duplicated, even multiplied, causing conflict and unnecessary expense; lack of full information has made intelligent direction impossible and cooperation between different branches of the service difficult.

By reason of the confused character of records and reports and the lack of information which has been provided, this was one of the first subjects into which inquiry was made looking toward the issuing of Executive orders.

CHARACTER OF ACCOUNTS REQUIRED.

In laying the foundation for the revision of the present accounting methods it has been assumed that such information should be produced, and only such as is continuously needed by administrative heads or as will be of value to the Congress. The work has been prosecuted under the following heads: The character and form of expenditure documents that should be employed by the several departments; classification of objects of expenditure; the kind and character of accounts that should be kept by the Government; the character of reports giving information regarding revenues and expenditures that should be rendered to superior administrative officers and to the Congress, and which will enable them to lay before the Congress information which each Member should have in order that the legislative branch may be fully informed concerning the objects and purposes of governmental expenditures.

UNIFORMITY IN CLASSIFICATION AND METHODS

Upon these matters the commission has made extended studies. So far as the kind and character of accounts to be kept by the Government are concerned, not only have reports on methods of accounting and reporting been made by representatives of each of the departments, but for four of these services detailed descriptive reports have been prepared showing exactly what forms are used and what procedure is followed in keeping and recording accounts. Proceeding from these statements of fact, the purpose is to work out in collaboration with department representatives a unified procedure, and a uniform classification of facts which will enable accounting officers to present to administrative heads, to the President, and to the Congress complete, accurate, and prompt information, in any summary or detail that may be desired.

CONSTRUCTIVE RESULTS OBTAINED.

The general basis for uniformity of accounting and reporting has already been laid in constructive reports with recommendations. The results of this work have been promulgated by the Comptroller of the Treasury with the approval of the Secretary of the Treasury in circulars issued in May and June last. These circulars prescribed the kind of accounts which shall be kept for the purpose of making available to the administrative head of each department, bureau, and office the information which is needed for directing the business of the Government.

In all of the work of the commission on these subjects emphasis has been laid upon cooperation with departmental committees composed of representatives appointed by the heads of departments for the express purpose of joining with the commission in the preliminary studies and in the conclusions and recommendations relating to the several departments and establishments.

REPORTS AT PRESENT REQUIRED BY CONGRESS.

During the consideration of these subjects the commission has made a study of the present requirements of law relating to reports which are in whole or in part financial in character from the various departments and establishments. There are more than 90 acts of Congress which annually require reports of this character. These requirements of the law result in nearly 200 printed reports relating to financial matters, which must be submitted annually to the Congress by the various departments and establishments. Studies of these reports and comparisons of the classification of expenditures as set forth therein have been made by the commission to the end that, so far as practicable, uniformity of classification of objects of expenditure may be recommended and identical terminology adopted.

RECOMMENDATIONS AND MODIFICATIONS.

In due time I shall transmit to the Congress such recommendations for changes in the present laws relating to these annual reports as appear to be pertinent and necessary.

Special consideration has been given by the commission to the annual reports relating to the financial transactions of the Government as a whole. In this connection the forms of the financial statements of the

Government from early days to the present time have been examined. Further, in order that full information should be available, an investigation has been made of the forms of annual reports and budget statements, of the results of accounting, and of the terminology used by twenty or more foreign nations.

One of the consequences of this work is apparent in a modification of the form in which the gross receipts and disbursements of the Government have been exhibited heretofore by the Secretary of the Treasury in his annual reports to the Congress.

These modifications are important as illustrations of what may be expected in improvement in the annual statements of the Government as a whole when final recommendations are made, based upon these extended studies. Further results of this work will be apparent when standard forms for financial reports of departments and establishments, which are now in preparation through cooperation with the responsible officials of various departments, are completed and published. It will then be evident how far short of realizable ideals have been our annual statements and reports of the past.

THE BUDGET.

The United States is the only great Nation whose Government is operated without a budget. This fact seems to be more striking when it is considered that budgets and budget procedures are the outgrowth of democratic doctrines and have had an important part in the development of modern constitutional rights. The American Commonwealth has suffered much from irresponsibility on the part of its governing agencies. The constitutional purpose of a budget is to make government responsive to public opinion and responsible for its acts.

THE BUDGET AS AN ANNUAL PROGRAM.

A budget should be the means for getting before the legislative branch, before the press, and before the people a definite annual program of business to be financed; it should be in the nature of a prospectus both of revenues and expenditures; it should comprehend every relation of the Government to the people, whether with reference to the raising of revenues or the rendering of service.

In many foreign countries the annual budget program is discussed with special reference to the revenue to be raised, the thought being that the raising of revenue bears more direct relation to welfare than does Government expenditure. Around questions of source of revenue political parties have been organized, and on such questions voters in the United States have taken sides since the first revenue law was proposed.

CITIZEN INTEREST IN EXPENDITURES.

In political controversy it has been assumed generally that the individual citizen has little interest in what the Government spends. In my opinion, this has been a serious mistake, one which is becoming more serious each year. Now that population has become more dense, that large cities have developed, that people are required to live in congested centers, that the national resources frequently are the subject of private ownership and private control, and that transportation and other public-service facilities are held and operated by large corporations, what the Government does with nearly $1,000,000,000 each year is of as much concern to the average citizen as is the manner of obtaining this amount of money for public use. In the present inquiry special attention has been given to the expenditure side of the budget.

In prosecuting this inquiry, however, it has not been thought that arbitrary reductions should be made. The popular demand for economy has been to obtain the best service—the largest possible results for a given cost.

We want economy and efficiency; we want saving, and saving for a purpose. We want to save money to enable the Government to go into some of the beneficial projects which we are debarred from taking up now because we can not increase our expenditures. Projects affecting the public health, new public works, and other beneficial activities of government can be furthered if we are able to get a dollar of value for every dollar of the Government's money which we expend.

PUBLIC-WELFARE QUESTIONS.

The principal governmental objects in which the people of the United States are interested include:

The national defense; the protection of persons and property; the promotion of friendly relations and the protection of American interests abroad; the regulation of commerce and industry; the promotion of agriculture, fisheries, forestry, and mining; the promotion of manufacturing, commerce, and banking; the promotion of transportation and communication; the postal service, including postal savings and parcel post; the care for and utilization of the public domain; the promotion of education, art, science, and recreation; the promotion of the public health; the care and education of the Indians and other wards of the Nation.

These are public-welfare questions in which I assume every citizen has a vital interest. I believe that every Member of Congress, as an official representative of the people, each editor, as a nonofficial representative of public opinion, each citizen, as a beneficiary of the trust imposed on officers of the Government, should be able readily to ascertain how much has been spent for each of these purposes; how much has been appropriated for the current year; how much the administration is asking for each of these purposes for the next fiscal year.

Furthermore, each person interested should have laid before him a clear, well-digested statement showing in detail whether moneys appropriated have been economically spent and whether each division or office has been efficiently run. This is the information which should be available each year in the form of a budget and in detail accounts and reports supporting the budget.

CONTINUANCE OF THE COMMISSION.

I ask the continuance of this Commission on Economy and Efficiency because of the excellent beginning which has been made toward the reorganization of the machinery of this Government on business principles. I ask it because its work is entirely nonpartisan in character and ought to appeal to every citizen who wishes to give effectiveness to popular government, in which we feel a just pride. This work further commends itself for the reason that the cost of organization and work has been carefully considered at every point. Three months were taken in consideration of plans before the inquiry was begun; six months were then spent in preliminary investigations before the commission was organized; before March 3, 1911, when I asked for a continuation of the original appropriation for the current year, only $12,000 had been spent.

In organizing the commission my purpose was to obtain men eminently qualified for this character of work, and it may be said that it was found to be extremely difficult to find persons having such qualifications who would undertake the task. Several of the members of the commission were induced to take up the work as a personal sacrifice; in fact, considering the temporary character of the inquiry, it may be said that no member of the commission was moved by salary considerations. Only the public character of the work has made it possible for the Government to carry on such an inquiry except at a very much larger cost than has been incurred.

It is a matter of public record that the three largest insurance companies in New York, when under legislative investigation, spent more than $500,000 for expert services to assist the administration to put the business on a modern basis; but the economies the first year were more than tenfold the cost. I am informed that New York, Chicago, Boston, St. Louis, Cincinnati, Milwaukee, and other cities are prosecuting inquiries, the cost of which is largely disproportionate to the cost incurred by the Federal Government. Furthermore, these inquiries have the vigorous support and direct cooperation of citizen agencies which alone are spending not less than $200,000 per annum, and in several instances these combined agencies have been working not less than five years to put the cities on a businesslike basis, yet there is still much to be done.

The reason for bringing these facts to your attention is to suggest the magnitude of the task, the time necessary to its accomplishment, the professional skill which is essential to the successful handling of the work, the impossibility of carrying on such a work entirely with men who are at the same time engaged in the ordinary routine of administration. While in the nature of things the readjustment of organization and methods should continue indefinitely in order to adapt a great institution to the business in hand, ultimately this should be provided for as a part of the regular activities of some permanently organized agency. It is only after such a thorough inquiry has been made by experts who are not charged with the grinding details of official responsibility, however, that conclusions can be reached as to how this best can be done.

I sincerely hope that Congress will not, in its anxiety to reduce expenditures, economize by cutting off an appropriation which is likely to offer greater opportunity for real economy in the future than any other estimated for.

VIGOROUS PROSECUTION OF THE INQUIRY.

Economies actually realized have more than justified the total expenditure of the inquiry to date, and the economies which will soon be made by Executive action, based upon the information now in hand, will be many times greater than those already realized. Furthermore, the inquiry is in process of establishing a sound basis for recommendations relating to changes in law which will be necessary in order to make effective the economies which can not be provided by Executive action alone. Still further, it should be realized that the progress made by the inquiry has been notable when measured against the magnitude of the task undertaken. The principal function of the inquiry has been that of coordination. The commission has acted and should continue to act as a central clearing house for the committees in the various departments and establishments. By no other means can the cooperation which is essential be developed and continued throughout the Government service.

Helpful as legislative investigations may be in obtaining information as a basis for legislative action, changes which affect technical operations and which have to do with the details of method and procedure, necessarily followed in effectively directing and controlling the activities of the various services, can be successfully accomplished only by highly trained experts, whose whole time shall be given to the work, acting in cooperation with those who are charged with the handling of administrative details. The upbuilding of efficient service must necessarily be an educational process. With each advance made there will remain to those who conduct the details of the business an additional incentive to increase the efficiency and to realize true economy in all branches of the Government service.

As has been said, the changes which have already been made are resulting in economies greater than the cost of the inquiry; reports in my hands, with recommendations, estimate approximately $2,000,000 of possible annual economies; other subjects under investigation indicate much larger results. These represent only a few of the many services which should be subjected to a like painstaking inquiry. If this is done, it is beyond question that many millions of savings may be realized. Over and above the economy and increased efficiency which may be said to result from the work of the commission as such is an indirect result that can not well be measured. I refer to the influence which a vigorous, thoroughgoing executive inquiry has on each of the administrative units responsible to the Executive. The purpose being constructive, as soon as any subject is inquired into each of the services affected becomes at once alert to opportunities for improvement. So real is this that eagerness in many instances must be restrained. For example, when reports were requested on the subject of handling and filing correspondence, so many changes were begun that it became necessary to issue a letter to heads of departments requesting them not to permit further changes until the results had been reported and uniform plans of action had been agreed upon. To have permitted each of the hundreds of offices to undertake changes on their own initiative would merely have added to the confusion.

Much time and expense are necessary to get an inquiry of this kind started, to lay the foundation for sound judgment, and to develop the momentum required to accomplish definite results. This initial work has been done. The inquiry with its constructive measures is well under way. The work should now be prosecuted with vigor and receive the financial support necessary to make it most effective during the next fiscal year.

In this relation it may be said that the expenditure for the inquiry during the present fiscal year is at the rate of $130,000. The mass of information which must be collected, digested, and summarized pertaining to each subject of inquiry is enormous. From the results obtained it is evident that every dollar which is spent in the prosecution of the inquiry in the future will result in manifold savings. Every economy which has been or will be effected through changes in organization or method will inure to the benefit of the Government and of the people in increasing measure through the years which follow. It is clearly the part of wisdom to provide for the coming year means at least equal to those available during the current year, and in my opinion the appropriation should be increased to $200,000, and an additional amount of $50,000 should be provided for the publication of those results which will be of continuing value to officers of the Government and to the people.

WM. H. TAFT.

MESSAGE.

[Concerning the work of the Interior Department and other matters.]

THE WHITE HOUSE, *February 2, 1912.*

To the Senate and House of Representatives:

There is no branch of the Federal jurisdiction which calls more imperatively for immediate legislation than that which concerns the public domain, and especially the part of that domain which is in Alaska. The report of the Secretary of the Interior, which is transmitted herewith, and the report to him of the governor of Alaska, set out the public need in this regard with great force and in satisfactory detail.

The progress under the reclamation act has made clear the defects of its limitations, which should be remedied. The rules governing the acquisition of homesteads, of land that is not arid or semiarid, are not well adapted to the perfecting of title to land made arable by Government reclamation work.

I concur with the Secretary of the Interior in his recommendation that, after entry is made upon land being reclaimed, actual occupation as a homestead of the same be not required until two years after entry, but that cultivation of the same shall be required, and that the present provision under which the land is to be paid for in 10 annual installments shall be so modified as to allow a patent to issue for the land at the end of five years' cultivation and three years' occupation, with a reservation of a Government lien for the amount of the unpaid purchase money. This leniency to the reclamation homesteader will relieve him from occupation at a time when the condition of the land makes it most burdensome and difficult, and at the end of five years will furnish him with a title upon which he can borrow money and continue the improvement of his holding.

I also concur in the recommendation of the Secretary of the Interior that all of our public domain should be classified and that each class should be disposed of or administered in the manner most appropriate to that particular class.

The chief change, however, which ought to be made, and which I have already recommended in previous messages and communications to Congress, is that by which Government coal land and phosphate and other mineral lands containing nonmetalliferous minerals, shall be leased by the Government, with restrictions as to size and time, resembling those which now obtain throughout the country between the owners in fee and the lessees who work the mines, and in leases like those which have been most successful in Australia, New Zealand, and Nova Scotia. The showing made by investigations into the successful working of the leasing system leaves no doubt as to its wisdom and practical utility. Requirements as to the working of the mine during the term may be so framed as to prevent any holding of large mining properties merely for speculation, while the royalties may be made sufficiently low, not unduly to increase the cost of the coal mined, and at the same time sufficient to furnish a reasonable income for the use of the public in the community where the mining goes on. In Alaska, there is no reason why a substantial income should not thus be raised for such public works as may be deemed necessary or useful.

There is no difference between the reasons which call for the application of the leasing system to the coal lands still retained by the Government in the United States proper and those which exist in Alaska.

There are now in Alaska only two well-known high-grade coal fields of large extent—the Bering River coal field and the Matanuska coal field. The Bering River coal field, while it has varying qualities of coal from the bituminous to the anthracite, is very much lessened in value and usefulness by the grinding effect to which in geological ages past the coal measures have been subjected, so that the coal does not lie or can not be mined in large lumps. It must be taken out in almost a powdered condition. The same difficulty does not appear to the same extent in the Matanuska coal fields. The Bering River coal fields are only 25 miles from the coast. They are within easy distance of an existing railroad built by the Morgan-Guggenheim interests, and may also be reached through Controller Bay by the construction of other and competing railroads.

Controller Bay is not a good harbor, but could probably be made practical with the expenditure of considerable money. The railroad of the Morgan-Guggenheim interests, running from Cordova, could be made a coal carrying road for the Bering River fields by the construction of a branch to those fields not exceeding 50 or 60 miles. It is practicable, and if the coal measures were to be opened up, doubtless the branch would be built. In the present condition of things, there is no motive to build the road, because there is no title or opportunity to open and mine the coal.

The Matanuska coal fields are a longer distance from the coast. They are from 150 to 200 miles from the harbor of Seward, on Resurrection Bay. This is one of the finest harbors in the world, and a reservation has been made there for the use of the Navy of the United States. A road constructed from Seward to the Matanuska coal fields would form part of a system reaching from the coast into the heart of Alaska, and open the great interior valleys of the Yukon and the Tanana, which have agricultural as well as great mineral possibilities.

The Alaska Central road has been constructed some 71 miles of the distance from Seward north to the Matanuska coal fields, but the construction beyond this has been discouraged, first, by the fact that there has been no policy adopted of opening up the coal lands upon which investors could depend, and, second, because there seemed to be a lack of financial backing of those engaged in the enterprise. The Secretary of the Interior has ascertained that the bondholders, who are the real owners of the road, are willing to sell to the Government, and he recommends the purchase of the existing road, such reconstruction as may be necessary, its continuance to the Matanuska coal fields, and thence into the valleys of the Yukon and the Tanana. It would be a great trunk line, and would be an opening up of Alaska by Government capital.

I am not in favor of Government ownership where the same certainty and efficiency of service can be had by private enterprise, but I think the conditions presented in Alaska are of such a character as to warrant the Government, for the purpose of encouraging the development of that vast and remarkable territory, to build and own a trunk line railroad, which it can lease on terms which may be varied and changed to meet the growing prosperity and development of the Territory.

There is nothing in the history of the United States which affords such just reason for criticism as the failure of the Federal Government to extend the benefit of its fostering care to the Territory of Alaska. There was a time, of course, when Alaska was regarded as so far removed into the Arctic Ocean as to make any development of it practically impossible, but for years the facts have been known to those who have been responsible for its government, and everyone who has given the subject the slightest consideration has been aware of the wonderful possibilities in its growth and development if only capital were invested there and a good government put over it. I think the United States owes it, therefore, to Alaska, and to the people who have gone there, to take an exceptional step and to build a railroad that shall open the treasures of Alaska to the Pacific and to the people who live along that ocean on our western coast. The construction of a railroad and ownership of the fee do not necessitate Government operation. Pursuant, however, to the recommendation of the Secretary of the Interior, I suggest to Congress the wisdom of providing that the President may appoint a commission of competent persons, including two

Army engineers, to examine and report upon the available routes for a railroad from Seward to the Matanuska coal fields and into the Tanana and Yukon Valleys, with an estimate of the value of the existing partially constructed railroad and of the cost of continuing the railroad to the proper points in the valleys named. This proposal is further justified by the need that the Navy of the United States has for a secure coaling base in the North Pacific. The commission ought to make a full report also as to the character of the coal fields at Matanuska, and the problem of furnishing coal from that source for mercantile purposes after reserving for Government mining a sufficient quantity for the Navy.

I have already recommended to Congress the establishment of a form of commission government for Alaska. The Territory is too extended, its needs are too varied, and its distance from Washington too remote to enable Congress to keep up with its necessities in the matter of legislation of a local character.

The governor of Alaska in his report, which accompanies that of the Secretary of the Interior, points out certain laws that ought to be adopted, and emphasizes what I have said as to the immediate need for a government of much wider powers than now exists there, if it can be said to have any government at all.

I do not stop to dwell upon the lack of provision for the health of the inhabitants and the absence or inadequacy of laws, the mere statement of which shows their crying need. I only press upon Congress the imperative necessity for taking action not only to permit the beginning of the development of Alaska and the opening of her resources, but to provide laws which shall give to those who come under their jurisdiction decent protection.

LOWER COLORADO RIVER.

There is transmitted herewith a letter from the Secretary of the Interior setting out the work done under joint resolution approved June 25, 1910, authorizing the expenditure of $1,000,000, or so much thereof as might be necessary, to be expended by the President for the purpose of protecting lands and property in the Imperial Valley and elsewhere along the Colorado River in Arizona. The money was expended and the protective works erected, but the disturbances in Mexico so delayed the work, and the floods in the Colorado River were so extensive that a part of the works have been carried away, and the need for further action and expenditure of money exists. I do not make a definite recommendation at present, for the reason that the plan to be adopted for the betterment of conditions near the mouth of the Colorado River proves to be so dependent on a free and full agreement between the

Government of Mexico and the Government of the United States as to joint expenditure and joint use that it is unwise to move until we can obtain some agreement with that Government which will enable us to submit to Congress a larger plan, better adapted to the exigencies presented than the one adopted. It is essential that we act promptly, and through the State Department the matter is being pressed upon the attention of the Mexican Government. Meantime, a report of the engineer in charge, together with a subsequent report upon his work by a body of experts appointed by the Secretary of the Interior, together with an offer by the Southern Pacific Railroad to do the work at a certain price, with a guaranty for a year, and a comment upon this offer by Brig. Gen. Marshall, late Chief of Engineers, United States Army, and now consulting engineer of the Reclamation Service, are all herewith transmitted.

WATER-POWER SITES.

In previous communications to Congress I have pointed out two methods by which the water-power sites on nonnavigable streams may be controlled as between the State and the National Government. It has seemed wise that the control should be concentrated in one government or the other as the active participant in supervising its use by private enterprise. In most cases where the Government owns what are called water-power sites along nonnavigable streams, which are really riparian lots, without which the power in the stream can not be used, we have a situation as to ownership that may be described as follows: The Federal Government has land without which the power in the stream can not be transmuted into electricity and applied at a distance, while it is claimed that the State, under the law of waters as it prevails in many of our Western States, controls the use of the water and gives the beneficial use to the first and continuous user. In order to secure proper care by the State governments over these sources of power, it has been proposed that the Government shall deed the water-power site to the State on condition that the site and all the plant upon it shall revert to the Government unless the State parts with the site only by a lease, the terms of which it enforces and which requires a revaluation of the rental every 10 years, the full term to last not more than 50 years. A failure of the State to make and enforce such leases would enable the Government by an action of forfeiture to recover the power sites and all plants that might be erected thereon, and this power of penalizing those who succeed to the control would furnish a motive to compel the observance of the policy of the Government.

The Secretary of the Interior has suggested another method by which the water-power site shall be leased directly by the Government to those who exercise a public franchise under provisions imposing a rental for the water power to create a fund to be expended by the General Government for the improvement of the stream and the benefit of the local community where the power site is, and permitting the State to regulate the rates at which the converted power is sold. The latter method suggested by the Secretary is a more direct method for Federal control, and in view of the probable union and systematic organization and welding together of the power derived from water within a radius of three or four hundred miles, I think it better that the power of control should remain in the National Government than that it should be turned over to the States. Under such a system the Federal Government would have such direct supervision of the whole matter that any honest administration could easily prevent the abuses which a monopoly of absolute ownership in private persons or companies would make possible.

BUREAU OF NATIONAL PARKS.

I earnestly recommend the establishment of a Bureau of National Parks. Such legislation is essential to the proper management of those wondrous manifestations of nature, so startling and so beautiful that everyone recognizes the obligations of the Government to preserve them for the edification and recreation of the people. The Yellowstone Park, the Yosemite, the Grand Canyon of the Colorado, the Glacier National Park, and the Mount Rainier National Park and others furnish appropriate instances. In only one case have we made anything like adequate preparation for the use of a park by the public. That case is the Yellowstone National Park. Every consideration of patriotism and the love of nature and of beauty and of art requires us to expend money enough to bring all these natural wonders within easy reach of our people. The first step in that direction is the establishment of a responsible bureau which shall take upon itself the burden of supervising the parks and of making recommendations as to the best method of improving their accessibility and usefulness.

INTERNATIONAL COMMISSION ON THE COST OF LIVING.

There has been a strong movement among economists, business men, and others interested in economic investigation to secure the appointment of an international commission to look into the cause for the high prices of the necessities of life. There is no doubt but that a commission could be appointed of such unprejudiced and impartial persons, experts in investigation of economic facts, that a great deal of very valuable light could be shed upon the reasons for the high prices that have so distressed the people of the world, and information given upon which action might be taken to reduce the cost of living. The very satisfactory report of the Railway Stock and Bonds Commission indicates how useful an investigation of this kind can be when undertaken by men who have had adequate experience in economic inquiries and a levelheadedness and judgment correctly to apply sound principles to the facts found.

For some years past the high and steadily increasing cost of living has been a matter of such grave public concern that I deem it of great public interest that an international conference be proposed at this time for the purpose of preparing plans, to be submitted to the various Governments, for an international inquiry into the high cost of living, its extent, causes, effects, and possible remedies. I therefore recommend that, to enable the President to invite foreign Governments to such a conference, to be held at Washington or elsewhere, the Congress provide an appropriation, not to exceed $20,000, to defray the expenses of preparation and of participation by the United States.

The numerous investigations on the subject, official or other, already made in various countries (such as Austria, Belgium, Canada, Denmark, France, Germany, Great Britain, Italy, the Netherlands, and the United States) have themselves strongly demonstrated the need of further study of world-wide scope. Those who have conducted these investigations have found that the phenomenon of rising prices is almost if not quite general throughout the world; but they are baffled in the attempt to trace the causes by the impossibility of making any accurate international comparisons. This is because, in spite of the number of investigations already made, we are still without adequate data and because as yet no two countries estimate their price levels on the same basis or by the same methods.

As already indicated, the preliminary conference itself would entail a comparatively small expense, and most of the subsequent investigations for which it would prepare the way could be carried out by existing bureaus in this and other Governments as part of their regular work and would require little, if any, additional appropriations for such bureaus.

COMMISSION ON INDUSTRIAL RELATIONS.

The extraordinary growth of industry in the past two decades and its revolutionary changes have raised new and vital questions as to the relations between employers and wage earners which have become matters of pressing public concern. These questions have been somewhat obscured by the profound changes in the relations between competing producers and producers as a class and consumers—in other words, by the changes which, among other results, have given rise to what is commonly called the trust problem. The large-scale production characteristic of modern industry, however, involves the one set of relations no less than the other. Any interruption to the normal and peaceful relations between employer and wage earner involves public discomfort and in many cases public disaster. Such interruptions become, therefore, quite as much a matter of public concern as restraint of trade or monopoly.

Industrial relations concern the public for a double reason. We are directly interested in the maintenance of peaceful and stable industrial conditions for the sake of our own comfort and well-being; but society is equally interested, in its sovereign civic capacity, in seeing that our institutions are effectively maintaining justice and fair dealing between any classes of citizens whose economic interests may seem to clash. Railway strikes on such a scale as has recently been witnessed in France and in England, a strike of coal-mine workers such as we have more than once witnessed in this country, and such a wholesale relinquishing of a public service as that of the street cleaners recently in New York, illustrate the serious danger to public well-being and the inadequacy of the existing social machinery either to prevent such occurrences or to adjust them on any equitable and permanent basis after they have arisen.

In spite of the frequency with which we are exposed to these dangers and in spite of the absence of provision for dealing with them, we continue to assume with easy-going confidence that in each new case, somehow or other, the parties to the dispute will find some solution which will be agreeable to themselves and consistent with the public interest. We all see the grave objections to strikes and lockouts, however necessary they may be in extreme cases; and we are ready to criticise the more extreme phases of the industrial conflict such as boycotts and blacklists; but we leave the situation such that industrial disputes lead inevitably to a state of industrial war in which these are the only weapons left to the two combatants. No more clumsy or expensive method of determining the rate of wages and the hours and conditions of labor could well be devised. The successful operation of the Erdman Act as between interstate railroads and their employees shows how much good can be done by proper legislation.

At the moment when the discomforts and dangers incident to industrial strife are actually felt by the public there is usually an outcry for the establishment of some tribunal for the immediate settlement of the particular dispute. But what is needed is some system, devised by patient and deliberate study in advance, that will meet these constantly occurring and clearly foreseeable emergencies—not a makeshift to tide over an existing crisis. Not during the rainstorm but in fair weather should the leaking roof be examined and repaired.

The magnitude and complexity of modern industrial disputes have put upon some of our statutes and our present mechanism for adjusting such differences—where we can be said to have any mechanism at all—a strain they were never intended to bear and for which they are unsuited. What is urgently needed to-day is a reexamination of our laws bearing upon the relations of employer and employee and a careful and discriminating scrutiny of the various plans which are being tried in several of our own States and in other countries. This would seem to be the first natural step in bringing about an adjustment of these relations better suited to the newer conditions of industry.

Numerous special investigations, official and unofficial, have revealed conditions in more than one industry which have immediately been recognized on all sides as entirely out of harmony with accepted American standards. It is probable that to a great extent the remedies for these conditions, so far as the remedies involve legislation, lie in the field of State action; but such a comprehensive inquiry as is necessary to furnish a basis for intelligent action must be undertaken on national initiative and must be nation-wide in its scope. In view of the results that have followed the activities of the Federal Government in education, in agriculture, and in other fields which do not lie primarily within the field of Federal legislation, there can be no serious argument against the propriety or the wisdom of an inquiry by the Federal Government into the general conditions of labor in the United States, notwithstanding the fact that some of the remedies will lie with the separate States, or even entirely outside the sphere of governmental activity, in the hands of private individuals and of voluntary agencies. One legitimate object of such an official investigation and report is to enlighten and inform public opinion, which of itself will often induce or compel the reform of unjust conditions or the abatement of unreasonable demands.

The special investigations that have been made of recent industrial conditions, whether private or official, have been fragmentary, incomplete, and at best only partially representative or typical. Their lessons, nevertheless, are important, and until something comprehensive and adequate is available they serve a useful purpose, and they will necessarily continue to be made. But unquestionably the time is now ripe for a searching inquiry into the subject of industrial relations which shall be official, authoritative, balanced, and well rounded, such as only the Federal Government can successfully undertake. The present widespread interest in the subject makes this an opportune time for an investigation, which in any event can not long be postponed. It should be nonpartisan, comprehensive, thorough, patient, and courageous.

There is already available much information on certain aspects of the subject in the reports of the Federal and State Bureaus of Labor and in other official and unofficial publications. One essential part of the proposed inquiry would naturally be to assemble, digest, and interpret this information so far as it bears upon our present industrial conditions. In addition to this the commission should inquire into the general conditions of labor in our principal industries, into the existing relations between employers and employees in those industries, into the various methods which have been tried for maintaining mutually satisfactory relations between employees and employers and for avoiding or adjusting trade disputes, and into the scope, methods, and resources of Federal and State Bureaus of Labor and the methods by which they might more adequately meet the responsibilities which, through the work of the commission above recommended, would be more clearly brought to light and defined.

MISBRANDING IMPORTED GOODS.

My attention has been called to the injustice which is done in this country by the sale of articles in the trade purporting to be made in Ireland, when they are not so made, and it is suggested that the justice of the enactment of a law which, so far as the jurisdiction of the Federal Government can go, would prevent a continuance of this misrepresentation to the public and fraud upon those who are entitled to use the statement in the sale of their goods. I think it to be greatly in the interest of fair dealing, which ought always to be encouraged by law, for Congress to enact a law making it a misdemeanor, punishable by fine or imprisonment, to use the mails or to put into interstate commerce any articles of merchandise which bear upon their face a statement that they have been manufactured in some particular country when the fact is otherwise.

BUILDING FOR PUBLIC ARCHIVES.

I can not close this message without inviting the attention of Congress again to the necessity for the erection of a building to contain the public archives. The unsatisfactory distribution of records, the lack of any proper index or guide to their contents, is well known to those familiar with the needs of the Government in this Capital. The land has been purchased and nothing remains now but the erection of a proper building. I transmit a letter written by Prof. J. Franklin Jameson, director of the department of historical research of the Carnegie Institution of Washington, in which he speaks upon this subject as a member of a committee appointed by the executive council of the American Historical Association to bring the matter to the attention of the President and Congress.

WM. H. TAFT.

SPECIAL MESSAGE.

[Transmitting the report of the Employers' Liability and Workmen's Compensation Commission.]

THE WHITE HOUSE, *February 20, 1912.*

To the Senate and House of Representatives:

I have the honor to transmit herewith the report of the Employers' Liability and Workmen's Compensation Commission, authorized by joint resolution No. 41, approved June 25, 1910, " To make a thorough investigation of the subject of Employers' Liability and Workmen's Compensation, and to submit a report through the President to the Congress of the United States."

The commission recommends a carefully drawn bill, entitled "A bill to provide an exclusive remedy and compensation for accidental injuries resulting in disability or death, to employees or common carriers by railroads engaged in interstate or foreign commerce, or in the District of Columbia, and for other purposes." This bill works out in detail a compensation for accidental injuries to employees of common carriers in interstate railroad business, on the theory of insuring each employee against the results of injury received in the course of the employment, without reference to his contributory negligence, and without any of the rules obtaining in the common law limiting the liability of the employer in such cases. The only case in which no compensation is to be allowed by the act is where the injury or death of the employee is occasioned by his willful intention to bring about the injury or death of himself or of another, or when the injury results from his intoxication while on duty.

It is unnecessary to go into the details of the bill. They are, however, most admirably worked out. They provide for a medical and hospital service for the injured man, for a notice of the injury to the employer, where such notice is not obviously given by the accident itself; for the fixing of the recovery by agreement; if not by agreement, by an official adjuster, to be confirmed by the court, and, if a jury is demanded, to be passed on by a jury. The amount of recovery is regulated in proportion to the wages received, and the more or less serious character of the injury where death does not ensue, specific provision being made for particular injuries in so far as they can be specified. The compensation is to be made in the form of annual payments for a number of years or for life. The fees to be paid to attorneys are specifically limited by the act. The remedies offered are exclusive of any other remedies. The statistical investigation seems to show that under this act the cost to the railroads would be perhaps 25 per cent more than the total cost which they now incur.

The report of the commission has been very able and satisfactory, the investigations have been most thorough, and the discussion of the constitutional questions which have arisen in respect to the validity of the bill is of the highest merit.

Three objections to the validity of the bill of course occur:

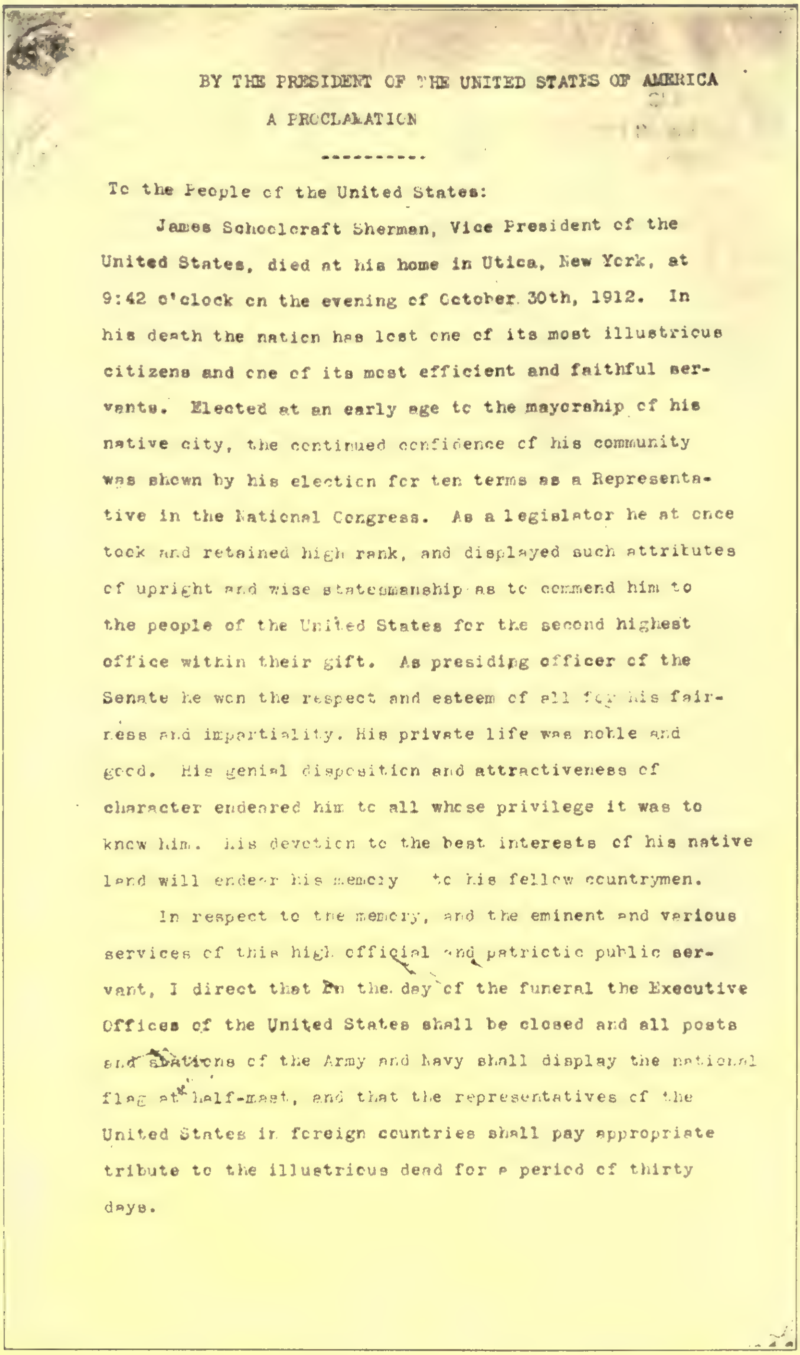
In the first place, the question arises whether under the provisions of the commerce clause the bill could be considered to be a regulation of interstate and foreign commerce. That seems to be already settled by the decision of the Supreme Court in the employers' liability case.

The second question is whether the making of these remedies exclusive and the compelling of the railroad companies to meet obligations arising from injuries, for which the railroad would not be liable under the common law, is a denial of the due process of law which is enjoined upon Congress by the fifth amendment to the Constitution in dealing with the property rights. This question the report takes up, and in an exhaustive review of the authorities makes clear, as it seems to me, the validity of the act. This is the question which in the Court of Appeals of the State of New York was decided adversely to the validity of the compensation act adopted by the legislature of that State. How far that act and the one here proposed differ it is unnecessary to state. It is sufficient to say that the argument of the commission is most convincing to show that the police power of the Government exercised in the regulation of interstate commerce is quite sufficient to justify the imposition upon the interstate railroad companies of the liability for the injuries to its employees on an insurance basis.

The third objection is that the right of trial by jury, guaranteed by the seventh amendment, is denied. As a matter of fact, the right is preserved in this act by permitting a jury to pass on the issue when duly demanded, in accordance with the limitation of the act.

I sincerely hope that this act will pass. I deem it one of the great steps of progress toward a satisfactory solution of an important phase of the controversies between employer and employee that has been proposed within the last two or three decades. The old rules of liability under the common law were adapted to a different age and condition and were evidently drawn by men imbued with the importance of preserving the employers from burdensome or unjust liability. It was treated as a personal matter of each employee, and the employer and the employee were put on a level of dealing, which, however it may have been in the past, certainly creates injustice to the employee under the present conditions.

One of the great objections to the old common-law method of settling questions of this character was the lack of uniformity in the recoveries made by injured employees, and by the representatives of those who suffered death. Frequently meritorious cases that appealed



BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

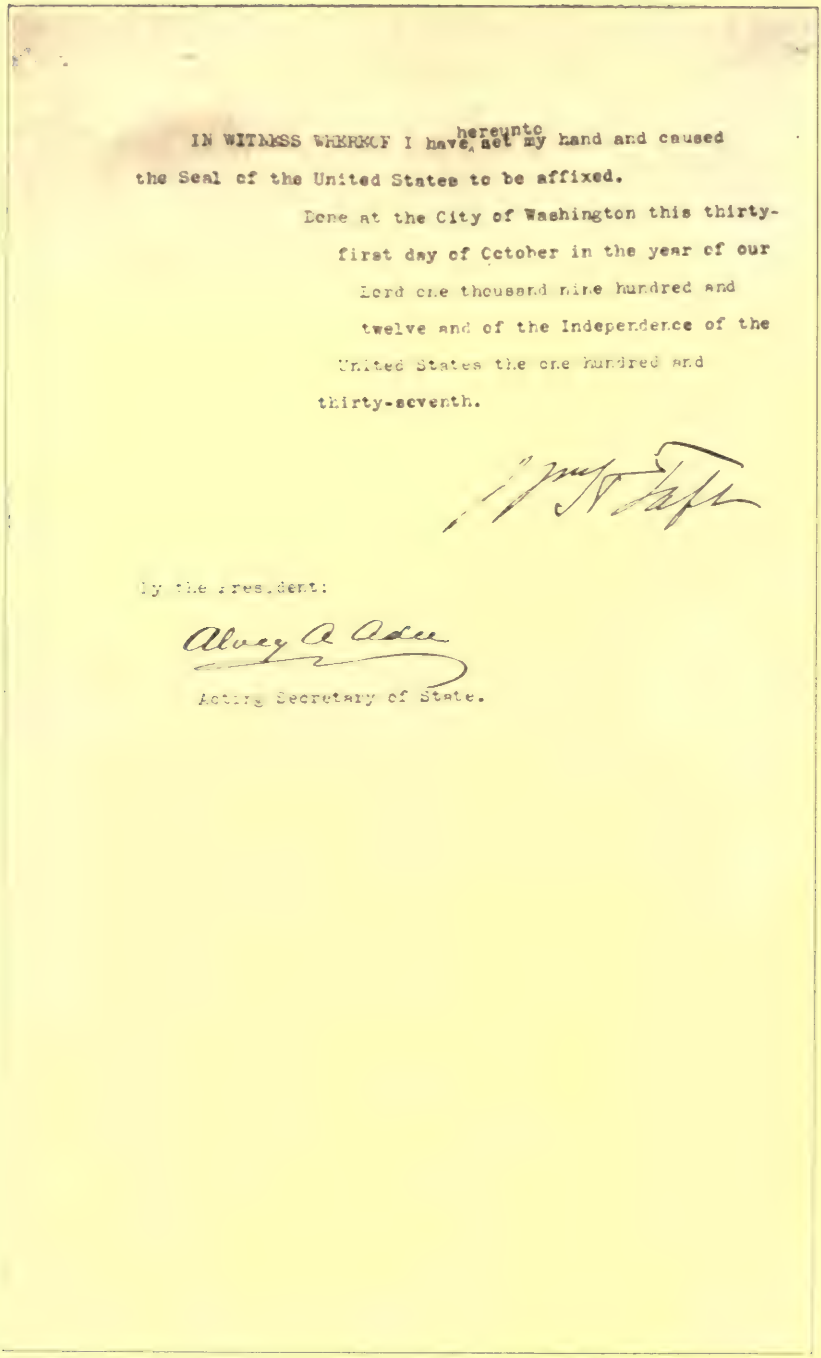
A PROCLAMATION

To the People of the United States:

James Schoolcraft Sherman, Vice President of the United States, died at his home in Utica, New York, at 9:42 o'clock on the evening of October 30th, 1912. In his death the nation has lost one of its most illustrious citizens and one of its most efficient and faithful servants. Elected at an early age to the mayorship of his native city, the continued confidence of his community was shown by his election for ten terms as a Representative in the National Congress. As a legislator he at once took and retained high rank, and displayed such attributes of upright and wise statesmanship as to commend him to the people of the United States for the second highest office within their gift. As presiding officer of the Senate he won the respect and esteem of all for his fairness and impartiality. His private life was noble and good. His genial disposition and attractiveness of character endeared him to all whose privilege it was to know him. His devotion to the best interests of his native land will endear his memory to his fellow countrymen.

In respect to the memory, and the eminent and various services of this high official and patriotic public servant, I direct that on the day of the funeral the Executive Offices of the United States shall be closed and all posts and stations of the Army and Navy shall display the national flag at half-mast, and that the representatives of the United States in foreign countries shall pay appropriate tribute to the illustrious dead for a period of thirty days.

PROCLAMATION BY TAFT OF THE DEATH OF VICE-PRESIDENT SHERMAN.



IN WITNESS WHEREOF I have hereunto set my hand and caused the Seal of the United States to be affixed.

Done at the City of Washington this thirty-first day of October in the year of our Lord one thousand nine hundred and twelve and of the Independence of the United States the one hundred and thirty-seventh.

Wm H Taft

By the President:

Alvey A Adee

Acting Secretary of State.

[illegible] ACTING SECRETARY ADEE [illegible]
[illegible] PROCLAMATION [illegible]

strongly to every sense of human justice were shut out by arbitrary rules limiting the liability of the employer. On the other hand, often by perjured evidence and the undue emotional generosity of the jury, recoveries were given far in excess of the real injury, and sometimes on facts that hardly justified recovery at all. Now, under this system the tendency will be to create as nearly a uniform system as can be devised; there will be recoveries in every case, and they will be limited by the terms of the law so as to be reasonable.

The great injustice of the present system, by which recoveries of verdicts of any size do not result in actual benefit to the injured person because of the heavy expense of the litigation and the fees charged by the counsel for the plaintiff, will disappear under this new law, by which the fees of the counsel are limited to a very reasonable amount. The cases will be disposed of most expeditiously under this system, and the money will be distributed for the support of the injured person over a number of years, so as to make its benefit greater and more secure.

Of course the great object of this act is to secure justice to the weaker party under existing modern conditions, but a result hardly less important will follow from this act that I can not fail to mention.

The administration of justice to-day is clogged in every court by the great number of suits for damages for personal injury. The settlement of such cases by this system will serve to reduce the burden of our courts one-half by taking the cases out of court and disposing of them by this short cut. The remainder of the business in the courts will thus have greater attention from the judges, and will be disposed of with much greater dispatch. In every way, therefore, the act demands your earnest consideration, and I sincerely hope that it may be passed before the adjournment of this session of Congress.

There accompanies the letter of transmittal of Senator Sutherland not only the report of the commission but also the hearings of witnesses by the commission, all of which is herewith submitted.

WM. H. TAFT.

SPECIAL MESSAGE.

[Transmitting the Annual Report of the Postmaster General for the fiscal year ended June 30, 1911; and the Report of the Commission on Second-class Mail Matter.]

THE WHITE HOUSE, *February 22, 1912*

To the Senate and House of Representatives:

In transmitting the annual report of the Postmaster General for the fiscal year ended June 30, 1911, it gives me pleasure to call attention to the fact that the revenues for the fiscal year ended June 30, 1911, amounted to $237,879,823.60 and that the expenditures amounted to $237,660,705.48, making a surplus of $219,118.12. For the year ended June 30, 1909, the postal service was in arrears to the extent of $17,479,770.47. In the interval this very large deficit has been changed into a surplus, and that without the curtailment of postal facilities. Indeed, in the same time there have been established 3,744 new post offices, delivery by carrier provided in 186 additional cities, and new rural routes established, 2,516 in number and aggregating 60,679 miles in extent. The force of postal employees has been increased by more than 8,000, and a liberal policy in the matter of salaries has been followed, so that the amount expended for salaries is now $14,000,000 more than two years ago. The average salary has been increased from $869 to $967 for rural carriers, $979 to $1,082 for post office clerks, $1,021 to $1,084 for city letter carriers, and $1,168 to $1,183 for railway postal clerks.

The report shows that the postal-savings system was begun experimentally in January, 1911, and that it has now been extended so as to include 7,500 presidential post offices, which includes practically all of the post offices of that class. Preparations are also being made to establish the system at about 40,000 fourth-class offices. The deposits in 11 months have reached a total of $11,000,000, distributed among 2,710 national and State banks.

The Postmaster General recommends, as I have done in previous messages, the adoption of a parcel post, and the beginning of this in the organization of such service on rural routes and in the City Delivery Service first.

The placing of assistant postmasters in the classified service has secured greater efficiency. It is hoped that the same thing may be done with all the postmasters.

The report of the Postmaster General is full of statements of the important improvements in the organization and methods of the postal service made since the last annual report, and of tentative drafts of legislation embodying certain recommendations of the department which need legislation to carry them out.

There is only one recommendation in which I can not agree—that is one which recommends that the telegraph lines in the United States should be made a part of the postal system and operated in conjunction with the mail system. This presents a question of Government ownership of public utilities which are now being conducted by private enterprise under franchises from the Government. I believe that the true principle is that private enterprise should be permitted to carry on such public utilities under due regulation as to rates by proper authority rather than that the Government should itself conduct them. This principle I favor because I do not think it in accordance with the best public policy thus greatly to increase the body of public servants. Of course, if it could be shown that telegraph service could be furnished to the public at a less price than it is now furnished to the public by telegraph companies, and with equal efficiency, the argument might be a strong one in favor of the adoption of the proposition. But I am not satisfied from any evidence that if these properties were taken over by the Government they could be managed any more economically or any more efficiently or that this would enable the Government to furnish service at any smaller rate than the public are now required to pay by private companies.

More than this, it seems to me that the consideration of the question ought to be postponed until after the postal savings banks have come into complete and smooth operation and after a parcels post has been established not only upon the rural routes and the city deliveries but also throughout the department. It will take some time to perfect these additions to the activities of the Post Office Department, and we may well await their complete and successful adoption before we take on a new burden in this very extended department.

I cannot speak with too great emphasis of the improvement in the Post Office Department under the present management. The cutting down of cost, the shortening of methods, and the increase in efficiency are shown by the statistics of the Annual Report.

One of the most important matters referred to by the Postmaster General is the proposed fixing of new rates of postage for second-class mail matter. In connection with this subject, I have the honor to transmit herewith the report of the Commission on Second-Class Mail Matter, appointed pursuant to a joint resolution of the Sixty-first Congress, approved March 4, 1911.

The commission consists of Hon. Charles E. Hughes, Associate Justice of the Supreme Court of the United States; President A. Lawrence Lowell, of Harvard University; and Mr. Harry A. Wheeler, president of the Association of Commerce of the city of Chicago, whose character, ability, and experience command for their findings and recommendations the respect and confidence of the Congress and the country.

The report discloses a most exhaustive and critical inquiry into the subject of second-class mail matter after adequate notice to all the parties in interest. Extensive hearings were held by the commission, at which the Postmaster General and the Second and Third Assistant Postmasters General appeared and submitted formal statements presenting the various contentions of the Post Office Department, together with all the relevant official data and evidence relating to the cost of handling and transporting second-class mail matter. Certain of the leading magazines were represented by counsel, while various other publications appeared by representatives and were heard in oral argument or permitted to submit written briefs setting forth their respective reasons for opposing a change in the present postage rate on second-class mail. The Second and Third Assistant Postmasters General, together with minor officers of the department, were critically cross-examined by the counsel and representatives of the periodicals, and all the various phases of the second-class postage problem were made the subject of a most painstaking investigation.

The findings of the commission confirm the view that the cost of handling and transporting second-class mail matter is greatly in excess of the postage paid, and that an increase in the rate is not only justified by the facts, but is desirable.

The commission reports that the evidence submitted for its consideration is sufficient to warrant a finding of the approximate cost of handling and transporting the several classes of second-class mail known as paid-at-the-pound rate, free-in-county, and transient matter, in so far as relates to the services of transportation, post-office cars, railway distribution, rural delivery, and certain other items of cost, but that it is without adequate data to determine the cost of the general post-office service and also what portion of the cost of certain other aggregate services is properly assignable to second-class mail matter. It finds that in the fiscal year 1908, the period for which the statistics for the Post Office Department were compiled, the cost of handling and transporting second-class mail, in the items of transportation, post-office cars, railway distribution, rural delivery, and certain miscellaneous charges, was approximately 6 cents a pound for paid-at-the-pound-rate matter, and for free-in-county and transient matter each approximately 5 cents a pound, and that upon this basis, as modified by subsequent reductions in the cost of railroad transportation, the cost of paid-at-the-pound-rate matter, for the services mentioned, is now approximately 5½ cents a pound, while the cost of free-in-county and transient matter remains as formerly, namely, each at approximately 5 cents a pound.

Since the commission has determined that the cost of handling and transporting second-class mail is approximately 5½ cents for matter paid-at-the-pound-rate and approximately 5 cents each for free-in-county and transient matter, without taking into account the cost of the general post-office service and certain unassignable items of expense, it is apparent that the aggregate cost of all service performed by the postal establishment in connection with this class of mail matter is considerably above that amount.

The postal service is now, for the first time in years, operated upon a self-sustaining basis, and in my judgment this is a wise policy; but it should not be carried out at the expense of certain classes of mail matter that pay revenue largely in excess of their cost. It is not just that some classes of mail should be exorbitantly taxed to meet a deficiency caused by other classes, the revenue from which is much below their cost of handling and carriage. Where such inequalities exist they should be removed as early as practicable. The business enterprises of the publishers of periodicals, however, have been built up on the basis of the present second-class rate, and therefore it would be manifestly unfair to put into immediate effect a large increase in postage. That newspapers and magazines have been potent agencies for the dissemination of public intelligence and have consequently borne a worthy part in the development of the country all must admit; but it is likewise true that the original purpose of Congress in providing for them a subvention by way of nominal postal charges in consideration of their value as mediums of public information ought not to prevent an increase, because they are now not only educational but highly profitable. There is no warrant for the great disparity between existing postage rates on periodicals and the cost of the service the Government performs for them. The aggregate postal revenues for the fiscal year 1911 were $237,879,823.60, derived mainly from the postage collected on the four classes of mail matter. It is carefully estimated by the Post Office Department that the revenue derived from mail matter of the first class is approximately one and one-half times the cost of handling and carriage; that the returns from third and fourth class matter are slightly in excess of their cost of handling and carriage; and that while second-class matter embraces over 65 per cent of the entire weight of all the mail carried, it, nevertheless, yields little more than 5 per cent of the postal revenues.

The recommendations of the commission as to the postage rates on second-class mail are as follows:

1. The rate of 2 cents a pound on copies mailed by publishers to subscribers, to news agents, and as sample copies, and by news agents to their subscribers or to other news agents.
2. The rate of 1 cent for each 4 ounces for copies mailed by other than publishers and news agents; that is, the present transient rate.
3. The present free-in-county privilege retained, but not extended.

The commission also recommended that the cent-a-copy rate for newspapers other than weeklies and for periodicals not exceeding 2 ounces in weight, and the 2-cent-a-copy rate for periodicals exceeding 2 ounces in weight, when mailed at a city letter-carrier office for local delivery, be abolished.

As to the effect and adequacy of the proposed increase of 1 cent a pound in postage the commission says:

Such an increase will not, in the opinion of the commission, bring distress upon the publishers of newspapers and periodicals, or seriously interfere with the dissemination of useful news or information. A reasonable time should be allowed, after the rate is fixed, before it is put into effect. While the new rate will be very far from compensating the Government for the carriage and handling of second-class matter, it will to some extent relieve the existing burden and result in a more equitable adjustment of rates.

The commission suggests that the department "maintain an adequate cost system, so that the effect of the new rates may be closely observed and a proper basis may be secured for the consideration of any future proposals."

In these recommendations the Postmaster General and I heartily concur and commend them to the early attention of Congress. The proposed increase of 1 cent a pound in the second-class postage rate, I believe, to be most reasonable, and if sufficient time is allowed before the change goes into effect it should work little serious injury to the business of the periodical publishers, while equalizing, at least in a measure, the burdens of postal taxation.

WM. H. TAFT.

SPECIAL MESSAGE.

[On Economy and Efficiency in the Government Service.]

THE WHITE HOUSE, *April 4, 1912.*

To the Senate and House of Representatives:

On the 17th of January last I sent a message to the Congress describing the work of the commission appointed by me under authority of the acts of June 25, 1910, and March 3, 1911, granting appropriations to enable me to inquire into the methods of transacting the public business of the various executive departments and other governmental establishments, and to make report as to improved efficiency and greater economy to be obtained in the expenditure of money for the maintenance of the Government. By way of illustrating the utility of the commission, and the work which they were engaged upon, I referred to a number of reports which they had filed, recommending changes in organization of the departments and bureaus of the Government, the avoidance of duplication of functions and services, and the installation of labor-saving devices and improved office methods. All of the recommendations looked to savings of considerable amounts. With the message of February 5, 1912, I transmitted to the Congress the reports on the centralization of distribution of Government documents, on the use of window envelopes, and on the use of a photographic process for copying records.

A number of the reports of the commission had not then been commented on by the heads of the departments that would be affected by the changes recommended, and therefore I did not feel justified at that time in recommending to the Congress the statutory amendments necessary to carry out the recommendations of the commission. Since then, however, I have received the recommendations of the heads of departments, and I transmit this message for the purpose of expressing my approval of the changes recommended by the commission and of laying before the Congress the reports prepared by the commission.

LOCAL OFFICES SHOULD BE IN THE CLASSIFIED SERVICE.

POST OFFICES.

I have several times called attention to the advantages to be derived from placing in the classified service the local officers under the Departments of the Treasury, of the Post Office, of Justice, of the Interior, and of Commerce and Labor. In my message submitted to the Congress on January 17th I referred to the loss occasioned to the Government because of the fact that in many cases two persons are paid for doing work that could easily be done by one. In the meantime I have caused an inquiry to be made as to the amount in money of this loss. The results of this inquiry are that the loss amounts to at least $10,000,000 annually. For example, it appears that a very substantial economy would result from putting experienced and trained officers in charge of the first and second class post offices instead of selecting the postmasters in accordance with the present practice. As the annual operating expenses of the first and second class offices aggregate the enormous sum of more than $80,000,000, undoubtedly if the postmasters of these offices were embraced in the classified service, and required to devote all their time to the public service, the annual savings would eventually represent many millions of dollars. The saving in salaries alone, not taking into account any saving due to increased efficiency of operation, would amount to about $4,500,000. At the present time the salaries of postmasters of the first and second class amount to $6,076,900, while the salaries of assistant postmasters of the same classes amount to $2,820,000. If the position of postmaster were placed in the classified service and those officers were given salaries equal to 20 per cent more than the salaries now given to the assistant postmasters, the latter position being no longer required, there would be a saving in salaries to the Government of $4,512,900. In the case of postmasters at offices of the third class a large annual saving could be made.

PENSION AGENCIES.

An annual saving of nearly $62,000 could be made if the position of pension agent were placed in the classified service, since the work now done by a pension agent at a salary of $4,000 and a chief clerk at a salary ranging between $1,400 and $2,250 could easily be done by one person in the permanent classified service at a salary varying from $2,100 to $3,000. Greater economy and efficiency would result from the abolition of the pension agencies and from the adoption of a plan in accordance with which pensions would be paid by the Pension Office in Washington.

DISTRICT LAND OFFICES.

What is true in the matter of payment of pensions is also true in the service under the General Land Office. The field service of this office could be more efficiently and economically operated if it were provided by law that the office of receiver of district land offices be abolished and the duties transferred to the register, assisted by a bonded clerk, and the register placed in the classified service. It has several times been estimated that more than $200,000 would be saved annually and the efficiency of the service greatly increased by the adoption of such a plan.

INTERNAL-REVENUE AND CUSTOMS OFFICES.

Large expenditures are made for salaries of political appointees in the internal-revenue and customs services. In both services a direct saving in salaries, and an indirect economy through increased efficiency, would follow a transfer of such offices to the classified service.

OTHER LOCAL OFFICES.

In the other field services the saving which would result from the classification of the local officers under the departments is not as marked or probably capable of as exact estimation as in those mentioned, but there is no doubt that substantial savings would follow. It is not to be doubted that where no saving would result the classification of the local officers would increase the efficiency of the service. It would be desirable also to place all marshals, deputy marshals, and assistant attorneys in the classified service, although but little direct economy would result. Supervising inspectors in the Steamboat Inspection Service and the members of the field service in the Bureau of Fisheries should be placed in the classified service.

COMMISSION'S REPORT ON LOCAL OFFICES.

The report on methods of appointment submitted to me by the commission, which covers fully the subject of appointments by the President by and with the advice and consent of the Senate, and recommends that various local officers, such as postmasters, collectors of internal revenue, etc., and heads of bureaus in the departmental service, be included in the classified service, is transmitted herewith (Appendix No. 1.) The report and recommendations are approved by me.

LEGISLATION NEEDED TO ESTABLISH THE MERIT SYSTEM.

In the interest of an efficient and economical administration of the vast business of the Government, I urge the necessity for the inauguration of this important reform, and recommend that the necessary amendments be made to the laws governing appointments, such amendments to take effect not later than July 1, 1913, so that there may be secured to the people the benefits to be derived from a conduct of their affairs by officers selected on a merit basis and devoting their time and talents solely to the duties of their offices.

CONSOLIDATION OF LIGHTHOUSE AND LIFE-SAVING SERVICES.

The commission's report (Appendix No. 2) recommends that the Life-Saving Service of the Department of the Treasury be discontinued as a separate organization and that the maintenance and operation of the life-saving stations of the country be made one of the duties of the Bureau of Lighthouses of the Department of Commerce and Labor. I concur in this recommendation and urge that the necessary legislation for carrying it into effect be enacted.

Both of these services are organized and maintained for the same general purpose—the protection of life and property endangered along the coasts and other navigable waters. Both maintain stations along the coast, which are located for the most part in close proximity. Both have substantially the same business problems to meet in locating, constructing, and maintaining these stations; in recruiting the personnel; in manufacturing or purchasing equipment; in purchasing, housing in depots, and distributing supplies; in operating a field-inspection service; in maintaining telephonic and other means of communication; in disbursing funds; in keeping proper books of accounts; and in rendering reports showing financial and other transactions. The maintenance of two separate services, as at present, means a duplication of organization in respect to all of these operations. The recommendation of the commission does not contemplate any essential change in the work of the life-saving stations; it is for the transfer of the business management of these institutions to the Bureau of Lighthouses. That bureau being fully organized for the administration of stations of this character will be able to direct and manage these stations with comparatively little addition to its present force and equipment. The commission estimates that, in addition to the advantage that will be obtained through having these two services operated by the same organization, a direct economy will be secured of at least $100,000 annually, and that the saving will greatly exceed this sum after the first year.

REVENUE-CUTTER SERVICE.

The report of the commission on the Revenue-Cutter Service (Appendix No. 3) represents a detailed investigation of the history, organization, and activities of this branch of the Government service and its relations to other services. The conclusion is reached that all of the duties now being performed by this service can be performed with equal efficiency by other services and that a great economy will result by having these duties so performed. The commission accordingly recommends that the service be abolished as a distinct organization; that its equipment be distributed among other services requiring the use of marine craft; and that provision be made for the performance of the work now being done by it by such other services.

With these fundamental recommendations of the commission I am in full accord, and I recommend that the necessary legislation be enacted to put them into effect.

At the present time the Revenue-Cutter Service is organized as a Naval Establishment. The country is, in effect, maintaining two navies, and is using one of these navies for the performance of duties of a civil character. The maintenance of two separate naval establishments entails unnecessary expense and is not in the interest of either efficiency or economy. In so far as the duties of the Revenue-Cutter Service are of a naval character, or are such as can readily be performed by the regular Naval Establishment, they should be performed by such establishment; in so far as they are of a purely civil character, use should be made of services organized and conducted upon a civil basis.

In respect to the distribution of the equipment and duties of the Revenue-Cutter Service among other branches of the Government, the recommendation of the commission looks to the transfer to the Navy Department of the vessels which are adapted to deep-sea cruising and the discharge by the Naval Establishment of most of the duties now performed by the Revenue-Cutter Service upon the high seas. In memoranda submitted on the report of the commission, copies of which are submitted with such report, on the one hand the Secretary of the Navy raises the question as to whether these duties can be performed by the regular Naval Establishment without detracting from its military efficiency, while on the other hand the Secretary of Commerce and Labor raises the question whether certain of these duties can not be performed by the Lighthouse Service if that service is provided with vessels suitable for the purpose.

In view of these suggestions I recommend that, in the enactment of legislation providing for the abolition of the Revenue-Cutter Service, provision be made for the transfer of all the vessels and equipment of the Revenue-Cutter Service from the Treasury Department to the Department of Commerce and Labor; that the Secretary of Commerce and Labor be directed to assign such vessels and equipment to the Lighthouse Establishment, Bureau of Fisheries, and other services under his jurisdiction requiring the use of vessels, as, in his judgment, is for the best interest of the public service, and that authority be given to him to turn over to the Navy such vessels as he may find, upon investigation, not to be required by his department and which by their character are fitted to serve as useful auxiliaries to the Naval Establishment.

In thus recommending that the Revenue-Cutter Service as a separate establishment be abolished, I desire to make plain that such action does not carry with it the discontinuance of the rendering of any valuable and proper service now being rendered by that organization. On the contrary, I am persuaded that all such services will continue to be performed under the system recommended by me with equal or greater efficiency.

It should be noted that the adoption of the recommendation here made will result in bringing under one general administration all of the work of the Government having to do with the protection of life and property at sea. This will result not only in greatly increased efficiency, but in a large saving. The Lighthouse Establishment is compelled by the nature of the work to maintain and operate a large fleet of vessels and supplementary administrative divisions, depots, inspection services, etc., to attend to matters pertaining to their business management. It is thus fully prepared to take over and operate the additional vessels that may be assigned to it and to perform the additional duties with which it may be intrusted at an added expense that will be small in comparison with that now entailed in maintaining an independent service on a military basis.

A further benefit of no little importance that will also be secured will be that of relieving the Department of the Treasury of duties which are in no ways germane to the primary function of that department.

THE CONSOLIDATION OF AUDITING OFFICES.

The report upon the organization and methods of work of the accounting offices of the Treasury (Appendix No. 4) recommends that the offices of the six auditors be consolidated under one auditor, and that the auditors of customs accounts located at the principal ports, and known as naval officers, be made assistants to the auditors. An increase in the efficiency of the Treasury audit will be one result of the carrying out of these recommendations, and the saving of expense when the consolidation has been fully completed will amount to at least $200,000 a year, based upon current appropriations. The present organization, under which six independent auditors are engaged in the one work of final audit of the Government accounts, is certainly one that can produce only diversity of practice and procedure, inefficient use of personnel and equipment, and delay and uncertainty of requirements from which the public as well as officers of the Government must suffer.

In my opinion a change in law to carry into effect these recommendations of the commission, which have my approval, will be in the interest of the public service.

THE RETURNS OFFICE.

The report upon the "Returns Office" of the Department of the Interior (Appendix No. 5) recommends the abolition of that office and that provision for public inspection of Government contracts be made through the office of the auditors of the Treasury, in which offices the originals of all contracts are filed. It also recommends the substitution of a certificate for the affidavit required to be attached to the contracts of the Departments of War, the Navy, and the Interior, and an amendment of the statute which now requires all the contracts of those departments to be in writing. I transmit letters from the secretaries of the departments referred to, concurring in the conclusions and recommendations of the commission. I approve the report and commend it to the favorable consideration of the Congress.

GOVERNMENT EXPENSES FOR TRAVEL.

The report upon "Travel expenditures" of officers and employees of the Government (Appendix No. 6) presents a view of existing conditions that can lead to but one conclusion—that under the existing laws, and regulations and practices pursuant thereto, the allowances for travel are as varied as there are executive departments. The same classes of officers and employees are receiving different rates of allowances, depending only upon the department or bureau in which they are employed. Under similar conditions there should be uniformity. The report recommends that all allowances in the form of mileage be discontinued and that actual cost of transportation be paid; that in lieu of payment of actual cost of other expenses, commonly known as subsistence, which would include lodging, a scale of per diem allowances be established by the President for the several classes of officers and employees. It is also recommended by the commission that all accounts for reimbursement of traveling expenses shall be certified as to correctness in lieu of the requirement of law in many cases that the verification be by affidavit. The latter procedure is troublesome and expensive, and the penalty for a false certification is fully as valuable in its deterrent effect as the penalty for making a false affidavit.

With the report are the comments of the War and the Navy Departments, made at my request. The report of the commission has my approval, and the suggestions therein for a change in the law on the subject are submitted with a request for action in accordance therewith.

HANDLING AND FILING OF CORRESPONDENCE.

The handling and filing of correspondence constitutes one of the business processes of the Government to which, as pointed out in my message of January 17, the commission has paid especial attention. The investigations of existing conditions have brought out clearly that, in many cases, present methods are inefficient and entail large, unnecessary costs. The features of present practices which stand out most prominently as entailing large, unnecessary labor and expense pertain to the briefing, press-copying, and recording and indexing of communications. A statement has been prepared giving the results of an investigation of the salary cost entailed in performing these operations in the several departments at Washington. It is the opinion of the commission that the operations of briefing and press-copying letters can be entirely eliminated, and that the recording and indexing of incoming and outgoing letters can be reduced at least 50 per cent.

Though the commission is making independent investigations of methods followed in handling and filing correspondence in certain bureaus and services, the results of which will be embodied in reports describing such methods, pointing out wherein they are defective, and recommending changes to make them conform to the most approved practices, the general policy pursued is that of working in close cooperation with the departments and services through the means of joint committees. To the end that these committees might all work as nearly as possible along uniform lines, and that the departments and establishments might have before them the conclusions reached by the commission relative to fundamental principles and the best practices in respect to the performance of this class of work, the commission has prepared, and I have sent to the heads of departments a memorandum setting forth the principles which should govern in the matter of handling and filing of correspondence. This memorandum also contains suggestions for the use of labor-saving devices in preparing and mailing letters. I am transmitting herewith a copy of this memorandum (Appendix No. 7).

On the basis of this memorandum active efforts are now being made in all of the departments for the improvement of the methods of handling and filing of correspondence. These efforts have resulted in radical changes in existing methods and the effecting of large economies. The flat-filing system has been substituted for the old cumbrous folded and indorsement system. Carbon copies of letters have been substituted for press copies. The briefing of documents has been entirely discontinued in a number of services, and in others the maintenance of book records of incoming and outgoing communications has been discontinued. The effort is being made to make correspondence files self-indexing, and thus avoid the necessity for making and using secondary finding devices. This work can only be intelligently prosecuted as the result of painstaking and detail investigation of the special conditions to be met in each particular service. Many months will, therefore, be required to carry out this work throughout the entire Government. It is of the utmost importance that the work should be prosecuted under a general supervision or direction such as is furnished by the present commission.

DISTRIBUTION OF GOVERNMENT DOCUMENTS.

Attention is called to the report of the commission, transmitted to the Congress with my message of February 5th and to the supplementary statement sent herewith (Appendix No. 8) on the centralization of distribution of Government publications. By adopting this recommendation it is conservatively estimated that $242,000 can be saved. This is exclusive of the saving which could be made by handling the congressional documents in the same manner. An account kept for 31 days with the volume of this business of handling congressional documents showed an average of 21 tons per day. These documents were first taken from the Printing Office to the Capitol, then from the Capitol to the post office, then hauled back to the Union Station, the latter being but a short distance from the Printing Office. An up-to-date plant at the Printing Office which could handle all this would entail an increased capital outlay for permanent equipment of only about $75,000. The recommendation for centralizing the distribution of documents from the departments, if acted on, will affect the appropriations of seven departments, five independent establishments, and the Washington post office.

I may say in connection with this report and recommendation that the House of Representatives, in passing the agricultural appropriation bill for the fiscal year 1913, instead of reducing the cost of distributing

Government publications in the Department of Agriculture by $137,000, has increased to the extent of $13,260 the amount appropriated for salaries for the Division of Publications over the appropriation for the current year.

OUTLINES OF ORGANIZATION.

The outlines of organization of the Government, which were transmitted with the message of January 17th, have been sent to each of the departments, with a request that orders issue which will require that the outline be kept up to date (Appendix No. 9). This will not only make available at all times the information needed by Congress or the administration when called for, and assist materially in the preparation of estimates of appropriations, but will make unnecessary the publication of the official register, thereby saving approximately $45,000 for each issue.

CONCLUSION.

In submitting these reports, with recommendations, I will state that in my opinion each of the foregoing recommendations, if acted on, will contribute largely to increase efficiency. Directly and indirectly the changes proposed will result in the saving of many millions of dollars of public funds. This will leave the Congress free to determine whether the amount thus saved shall be utilized to reduce taxation or to provide funds with which to extend activities already carried on and to enter on beneficial projects which otherwise could not be undertaken for lack of funds.

Again I urge upon the Congress the desirability of providing whatever funds can be used effectively to carry forward with all possible vigor the work now well begun. The $200,000 required for the prosecution of the inquiry during the ensuing year, and the $50,000 estimated for the publication of results, are inconsiderable in comparison with the economies which can be realized.

WM. H. TAFT.

VETO MESSAGE.

[Returning to the House of Representatives, without approval, H. R. 22195, "An Act to Reduce the Duties on Wool and the Manufactures of Wool," and stating certain objections thereto.]

THE WHITE HOUSE, *August 9, 1912.*

To the House of Representatives:

On December 20, 1911, I sent a message to the Congress, recommending a prompt revision of the tariff on wool and woolens. I urged a reduction of duties which should remove all the excesses and inequalities of the schedule, but should leave a degree of protection adequate to maintain the continued employment of machinery and labor already established in that great industry. With that message I transmitted a report of the Tariff Board, which furnished for the first time the information needed to frame a revision bill of this character, and recommended that legislation should be at once undertaken in the light of this information.

Despite the efforts which have been made to discredit the work of the Tariff Board, their report on this schedule has been accepted, with scarcely a dissenting voice, by all those familiar with the problems discussed, including active representatives of organizations formed in the interest of the public and the consumer. Importers and merchants, as well as producers and manufacturers, have testified to the accuracy and impartiality of these findings of fact. For the first time in the history of American tariffs the opportunity has been afforded of securing a revision based on established facts, independent both of the ex parte statements of interested persons and the guesswork of political theorists.

My position has been made perfectly plain. I shall stand by my pledges to maintain a degree of protection necessary to offset the difference in cost of production here and abroad, and will heartily approve of any bill reducing duties to this level. Bills have been introduced into Congress, carefully framed and based on the findings of the Tariff Board, which, while maintaining the principle of protection, have provided for sweeping reductions. Such a bill was presented by the minority members of the Ways and Means Committee, which, while providing protection to the woolgrower, reduces the duty on most wools 20 per cent, and the duties on manufactures by from 20 to more than 50 per cent, and gives in many instances less net protection to the manufacturer than was granted by the Gorman-Wilson free-wool act of 1894.

Instead of such a measure of thorough and genuine revision, based on full information of the facts, and with rates properly adjusted to all the different stages of the industry, there is now presented for my approval H. R. 22195, "An act to reduce the duties on wool and the manufactures of wool," a bill identical with the one which I vetoed in August, 1911, before the report of the Tariff Board had been made. The Tariff Board's report fully and completely justifies my veto of that date. The amount of ad valorem duty necessary to offset the difference in the cost of production of raw wool here and abroad varies with every grade of wool. Consequently, an ad valorem rate of duty adjusted to meet the difference in the cost of production of high-priced wools is not protective to low-priced wools. In any case, the report of the Tariff Board shows that the ad valorem duty of 29 per cent on raw wool, imposed in the bill now submitted to me, is inadequate to meet this difference in cost in the case of four-fifths of our total wool clip. The disastrous effect upon the business of our farmers engaged in wool raising can not be more clearly stated. To maintain the status quo in the wool-growing industry, the minimum ad valorem rate necessary, even for high-grade wool in years of high prices, would be 35 per cent.

The rate provided in this bill on cloths of all kinds is 49 per cent. The amount of net protection given by this rate, in addition to proper compensation for the duty on wool, depends on the ratio between the cost of the raw material and the cost of making the cloth. The cost of the raw material in woolen and worsted fabrics varies in general from 50 per cent to 70 per cent of the total value of the fabric. Consequently, the net protective duty, with wool at 29 per cent, would vary from 28.7 per cent to 34.5 per cent. In the great majority of cases these rates are inadequate to equalize the difference in the cost of manufacture here and abroad. This is especially true of the finest goods involving a high proportion of labor cost. One of the striking developments of the last few years has been the growth in this country of a fine goods industry. The rates provided in this bill, inadequate as they are for most of the cloths produced in this country, would make the continuance here of the manufacture of fine goods an impossibility.

Even more dangerous in their effects are the rates proposed on tops and yarns. Tops are the result of the first stage in the making of raw wool into cloth. Yarn is the result of the second stage. Taken in connection with a rate of 29 per cent on wool, and 49 per cent on cloths, the rates of 32 per cent on tops and 35 per cent on yarn, fixed in this bill, seem impossible of justification. They would disrupt, and to no purpose, the existing adjustment, within the industry, of all its different branches. It is improbable in the highest degree that raw wool would be imported in great quantities when the cloth maker can import his tops at a duty of 32 per cent and yarns at a duty of 35 per cent. The report of the Tariff Board shows the difference in relative costs to be uniformly greater than the amount of protection on yarns given by this bill. In a year of low prices, the net protection granted by the proposed rates would not be more than half the difference in costs. The free wool act of 1894 gave a protective rate of 40 per cent on all yarns over 40 cents a pound in value, with free raw material. The present bill gives only 35 per cent on such yarns with a duty of 29 per cent on the raw material. The great increase in the imports of tops and yarns which would result from the rates in the bill now submitted to me, would destroy the effect of the protection to raw wool and at the same time would be at the cost of widespread disaster to the wool-combing and spinning branches of the industry. The last 15 years has witnessed a great growth of top making and worsted spinning in this country, and the capacity of the plants is now equal to domestic requirements. Under the rates proposed such plants could be continued, if at all, only by writing off most of the investment as a net loss and by a reduction of wages. To sum up, then, most of the rates in the submitted bill are so low in themselves that if enacted into law the inevitable result would be the irretrievable injury to the wool-growing industry, the enforced idleness of much of our wool-combing and spinning machinery, and of thousands of looms, and the consequent throwing out of employment of thousands of workmen.

In view of these facts, in view of the platform upon which I was elected, in view of my promise to follow and maintain the protective policy, no course is open to me but to withhold my approval from this bill. I am very much disappointed that such a bill is a second time presented to me. I have inferred from the speeches made in both the House and the Senate that the members of the majority in both Houses are deeply impressed with the necessity of reducing the tariff under the present act on wool and woolens; that they do not propose to stand on the question of the amount of reduction or to insist that it must be enough necessarily to satisfy the principle of tariff for revenue only, but that they are willing to accept a substantial reduction in the present rates in order that the people might be relieved from the possibility of oppressive prices due to excessive rates. I strongly desire to reduce duties, provided only the protection system be maintained, and that industries now established be not destroyed. It now appears from the Tariff Board's report, and from bills which have been introduced into the House and the Senate, that a bill may be drawn so as to be within the requirements of protection and still offer a reduction of 20 per cent on most wool and of from 20 per cent to 50 per cent on cloths. I can not act upon the assumption that the controlling majority in either House will refuse to pass a bill of this kind, if in fact it accomplishes so substantial a reduction, merely because members of the opposing party and the Executive unite in its approval. I, therefore, urge upon Congress that it do not adjourn without taking advantage of the plain opportunity thus substantially to reduce unnecessary existing duties. I appeal to Congress to reconsider the measure, which I now return, without my approval, and to adopt a substitute therefor making substantial reductions below the rates of the present act, which the Tariff Board shows possible, without destroying any established industry or throwing any wage earners out of employment, and which I will promptly approve.

WM. H. TAFT.

VETO MESSAGE.

[Relating to the Iron and Steel Schedule.]

THE WHITE HOUSE, *August 14, 1912.*

To the House of Representatives:

I return, with my objections, H. R. 18642, a bill entitled "An act to amend an act entitled 'An act to provide revenue, equalize duties, and encourage the industries of the United States, and for other purposes,'" approved August 5, 1909.

This bill provides for a complete revision of Schedule C of the tariff law, relating to metals and manufactures of metals. In committee and in the consideration of the majority who passed the bill the important part of it seems to have been the basic manufactures of iron and steel, and most of the information which was obtained and discussed was in reference to that manufacture. The truth is that iron and steel as primary products are less than one-third in value of the subject matter covered by it; and that there may be no misunderstanding in regard to this, I present, as an appendix, a table prepared by the Census Bureau showing that included in Schedule C are 59 allied industries of sufficient importance to justify separate classification, study, and report by the Census Bureau, all of which are directly affected by the bill under consideration.

If only the primary products of iron and steel were affected by this bill, or if they constituted the larger part of the values involved in Schedule C, the consideration of the bill for purposes of approval or disapproval would be easier, but it is not within my power to separate these various industries. The bill is presented to me as a whole and must be approved or disapproved as a whole.

The table furnished shows that "foundry and machine shop products," which are secondary products of the iron and steel industry, are made by more than 13,000 competing establishments, with an invested capital of more than a billion and a half dollars, with more than half a million wage earners employed, and producing nearly a billion and a quarter dollars in value of products annually. Every dollar of this capital and every workman employed in the industry is directly affected by the bill, and I can not find, either in the report of the Committee on Ways and Means of the House or, to any extent, in the discussion of the schedule, that serious consideration has been given to the effect of this revision on this particular branch of the industry, and the same thing is true of more than two-thirds of the industries covered by the schedule.

It appears in the discussion of this revision now presented to me for consideration that no public hearings have been given by the Ways and Means Committee of the House, on the ground that it would thereby cause delay. The Ways and Means Committee avowed that the principle of protection had not been considered, but that in framing the present revision of the metal schedule the committee had "adopted the general principle of reducing all duties to a revenue basis, so far as practicable, except in those cases where more cogent considerations than those relating to the fiscal policy of the Government dictated the transfer of given items to the free list." This makes a clear-cut issue between the protective policy and that of a tariff for revenue only, and without fuller information, therefore, I am obliged to treat this bill as a revenue bill, and one in which the consideration of preserving the industry by maintaining a tariff necessary to do so had little weight. There is nothing to show me that the duties provided in the bill will equal the difference in the cost of production here and abroad in the great line of industries, and that the wages of workmen will not be reduced by a measure which avowedly discards entirely the principle of fair protection. It should be noted that the labor employed in the secondary industries, which has had so little consideration in this bill, is in a large measure high-grade, skilled labor, commanding a high level of wages.

This schedule was included in the general tariff revision of 1909, at which time public hearings were given, attended by importers, domestic producers, employees, and consumers, and the rates then on many of its items were heavily cut, ranging from 10 to 75 per cent, and it would seem now that a thorough study of each one of these separate industries should at least be made, that the Executive and Congress as well might act wisely and intelligently upon them, in order to avoid a further revision at an early date when the facts concerning them could be ascertained.

The products of many of these industries affected by this bill do not enter directly into the daily consumption of the people. The consumers of these products are, to a large extent, manufacturers using these articles in further processes of production. There is no evidence of any widespread demand from such consumers for a revision of the rates on these articles, and for this reason a sufficient time may well be taken to give the study to the respective industries which their importance would seem to demand.

I am not prepared to say that there are no items in this schedule which might not well be reduced, but the general average ad valorem rate of duty under it, taken as a whole for the year 1911, is 32.03 per cent, as against 37.97 per cent in 1896 under the Wilson law, or an apparent reduction of 15.6 per cent of the Wilson duties. The Dingley rates for this schedule in 1909 were 38.09 per cent, showing a reduction in 1911 for the present law of 15.9 per cent of the Dingley rates. Indeed, there is no year since 1883 when the Government statistics show as low an ad valorem rate of duty for this schedule as is shown in 1911, and it does not appear that schedule statistics were kept prior to 1883, so that no comparison can be made prior to that time.

There is little logical relation between the reductions made by this bill in the schedule. For example, steam engines and machine tools in the present law are dutiable at 30 per cent. In this revision steam engines are reduced to 15 per cent, and the whole machine-tool industry is put on the free list, without any reason whatever being given in the report of the Ways and Means Committee in either case for such action.

The term "machine tools" has already been the subject of much litigation, and its scope should be clearly defined before the great variety of articles which it now seems to cover are placed on the free list.

The expansion of our foreign trade would seem to demand that a transfer to the free list, like the one made in this bill, of such an enormous range of undetermined products and the opening of the best market in the world to free and unrestricted competition should not be made without at the same time at least securing, as is the case now of specified agricultural implements, the privilege of a like free entry into the markets of our competitors.

It is further difficult to understand by what process of reasoning it is possible to justify a transfer to the free list of a great line of finished articles, while nearly every one of the crude products from which they are made are retained on the dutiable list.

A bill for a complete revision of this schedule was presented to me a year ago in the extra session of this Congress. Many increases and decreases of rates are now made from those named in the former measure. The changes are not explained and indicate the hasty method pursued in the preparation of both. Is it not fair to ask, either on the basis of protection or revenue, which was right?

On the whole, therefore, I am not willing to approve of legislation of this kind, which vitally affects not only millions of workingmen and the families dependent on them, but hundreds of millions of dollars' worth of stocks of goods in the hands of storekeepers and distributors generally, without first providing for a careful and disinterested inquiry into the conditions of the whole industry.

From the outset of my administration I have urged a revision of the tariff based on a nonpartisan study of the facts. I have provided the means for securing such information in the appointment of a Tariff Board. Their thorough work, already completed on several schedules, has justified my confidence in this method. The principle is indorsed by chambers of commerce and boards of trade in almost every city of importance in the country. The proposed bill has not been framed on the basis of any such study of the industry.

Avowedly its rates are fixed with no consideration of anything but revenue. The principle of protection is disregarded entirely, and therefore it is not too much to say that the effect of these sweeping changes on the welfare of those engaged in these varied industries has been disregarded.

WM. H. TAFT.

VETO MESSAGE.

[Relating to Legislative Appropriation Bill.]

THE WHITE HOUSE, *August 15, 1912.*

To the House of Representatives:

I return herewith, without my approval, H. R. 24023, entitled "An act making appropriations for the legislative, executive, and judicial expenses of the Government for the fiscal year ending June 30, 1913, and for other purposes." This is one of the great supply bills necessary for the maintenance of the Government, and it goes without saying that nothing but reasons of especial importance would lead me to interpose objections to its passage.

In a message returning the Army appropriation bill to the House of Representatives with my objections to its approval, under date of June 17, 1912, I ventured to point out the dangers inherent in the practice of attaching substantive legislation to appropriation bills, and I need not repeat them here. It is sufficient to say, however, that when it is thought wise by Congress to include in general supply bills important substantive legislation, and the Executive can not approve such legislation, it is his constitutional duty to return the bill with his objections, and the responsibility for delay in the appropriation of the necessary expenses to run the Government can not rest upon the Executive, but must be put where it belongs—upon the majority in each House of Congress that has departed from the ordinary course and united with an appropriation bill amendments to substantive law. The importance and absolute necessity of furnishing funds to maintain and operate the Government can not be used by the Congress to force upon the Executive acquiescence in permanent legislation which he can not conscientiously approve.

There are two provisions in this bill which I can not permit to become law with my approval. One concerns the permanent statutory regulation of the tenure of office of those now included within the classified service in the departments and independent establishments of the Government within the District of Columbia. The other is a provision repealing the statute creating a Commerce Court, to consist of five circuit judges, for the purpose of passing on appeals from the decisions of the Interstate Commerce Commission.

First. By section 4 of this act the Civil Service Commission is directed, subject to the approval of the President, to establish a system of efficiency ratings for the classified service in the several executive departments in the District of Columbia, based upon records kept in each department and independent establishment with such frequency as to make them as nearly as possible records of fact. The system is to provide a minimum rating of efficiency which must be attained by an employee before he may be promoted; a rating below which no employee may fall without being demoted; and a rating below which no employee may fall without being dismissed for inefficiency. All promotions, demotions or dismissals are to be governed by provisions of the civil-service rules. Records of efficiency are to be furnished by the departments and independent establishments to the Civil Service Commission.

This section 4 is an admirable section, and, if properly carried out, will greatly improve the present civil service.

Section 5, however, introduces a new and radical feature into the present system. It provides that every appointment in the classified service after the 1st of September of next year shall be for a term of seven years after the probationary period of six months has expired, and that at the expiration of each such appointment the employment of each person so appointed shall cease and determine; and that the employment of all persons, appointed prior to September 1, 1912, in such classified service at annual rates of compensation shall cease and determine within one year after August 31, 1919, the date of termination during that year to be determined by the head of the appropriate department according to previous length of service. The cessation of employment and the ending of the term in these cases is absolute, without regard to efficiency rating under section 4, but section 5 contains the proviso that all persons separated by its terms from the classified service, if they are up to the standard of efficiency then in force and capable of rendering a full measure of service, may, in the discretion of the head of the executive department, be reappointed without examination for another term of seven years.

The effect of this section is to leave it to the discretion of the head of the department in the case of each classified employee at the end of his term of seven years to say whether that employee, no matter how high his standing, shall continue, or whether another shall be selected from the eligible list submitted in accordance with law and regulation by the Civil Service Commission.

I believe this to be a genuine effort on the part of those who propose it to meet the difficulty presented in the present civil-service system by superannuation of the employees and the impossibility of eliminating those who through age and disease have ceased to be efficient. It is recognized that one method of meeting this difficulty is by a system of civil pensions which will retire persons from the civil service at a certain age, or upon confirmed disability. It has been found impossible to secure an enforcement of the present law which requires every person who is not efficient in the service of the Government to be discharged, because it imposes upon the heads of departments and bureaus the disagreeable and ungracious duty of throwing out of employment, without any means of livelihood, the men and women who have spent many years in the employment of the Government and in times past have rendered good service.

I disapprove of section 5 because I do not think it will accomplish its proposed purpose, and I do not think it adds anything in efficiency to the provisions of section 4. If section 4 is carried out, then the superannuated will have to go when their inefficiency is properly determined, and this whether section 5 is on the statute book or not; and if section 4 is not enforced, then section 5 adds little or nothing in the way of getting rid of superannuated and inefficient clerks.

If section 4 is loosely enforced, so that the rate of efficiency of the superannuated clerk is charitably maintained by his superior at or above the minimum standard, there will be the same pressure to retain the clerk at the end of his seven years as there was to maintain his minimum rate, and the same reluctance as in the present system to turn him out at an advanced age without means of a livelihood after long years of service.

I do not share in the objection to a civil-pension system. I am strongly in favor of it, provided it involves features of compulsory insurance of employees, secured by an application of part of the salary of each toward the maintenance of the necessary funds. Such a system has already been embodied in the Gillett bill, and I know of no reason why it should not be adopted.

As to the present measure, I object to it, first, because for the reasons stated it will prove ineffective, as the present system has, in the matter of superannuated clerks; and, second, because it impairs that feature of the civil service which I regard as a most valuable one, to wit: The permanence of tenure on the one hand, balanced by a wide and almost absolute power of removal in the department head on the other. If at the end of each seven years it becomes necessary for one who has spent the best years of his life in the public service to ascertain whether he is to continue, it is certain that he will bring pressure to bear in every direction upon the appointing power to continue him in office. I am perfectly aware that the motive for not reappointing him will be much reduced by the fact that his successor must be appointed from the eligibles of the Civil Service Commission, but the play which this will give for prejudice and arbitrary action in the appointing power will constitute a serious injury to the present tenure of office.

Much has been said in the way of criticizing the present service as to the overpayment of the civil servants. It is true that in the departments there are many at salaries between $900 and $2,000 who are overpaid, but it is also true that there are many within those limits and nearly all who serve at salaries higher than $2,000 who are underpaid. The efficiency and wonderfully loyal service rendered by many of the employees of the Government who have concluded to devote their lives to the public service, to be content with only moderate salaries, because of the permanence of the tenure, can only be known to those who have had large experience in the character of the service rendered by the civil servants in the District of Columbia. I am not content to risk serious injury to the tone and efficacy of that service to accomplish something that in my judgment will not be accomplished by a change which will rob those who are in the service of a peace of mind that makes up in some degree for the sacrifices they have been obliged to undergo in devoting their lives at small pay to the Government. I am aware that there are maligners and others in the service who contribute but little to its efficiency. They would be disposed of by the proper enforcement of section 4.

But there is a large part of the civil-servant body which consists of hard-working, loyal, and efficient persons, who render to the Government more than they receive and who give character to the service. It is their permanence of tenure that led them to seek the service and keeps them in it. Of course it will be said that such clerks are likely to be retained. Probably; but the difference between mere probability of continuance and permanent tenure is the difference between worry and active solicitation of every influence in the seventh year and that contentment of mind that is alone consistent with undivided attention to public duty.

Second. The Commerce Court was created by the amendment to the interstate-commerce act passed June 18, 1910. Prior to that time, whenever an order of the Interstate Commerce Commission was made against a railroad company over which the Interstate Commerce Commission was given supervision, and it was contended that the order was contrary to law, or was a taking of the property of the company without due process of law, or, in other words, was confiscatory, jurisdiction belonged to the circuit courts of the United States to enjoin the orders of the commission until their validity could be established. It had been the purpose of many to give to the Interstate Commerce Commission complete regulatory control over the railroads of the country in the matter of rates and in other features of their management, without allowing courts to interfere.

But it was clearly developed that any law was unconstitutional by which it was attempted to deprive the railroad companies of the right to go into court to test the validity of an order as confiscatory or violative of the statutory authority of the commission, and that if no provision at all were made for such judicial review, then the courts would possess it without special authority. So such jurisdiction in circuit courts of the United States was recognized in the act. The system involved hearings in circuit courts of 84 different districts in which the cause of action might arise. The litigation begun at Washington and carried through the Interstate Commerce Commission might then be transferred to some distant district. The district judge, or the circuit judge, or the circuit court of appeals took up the case, presenting a subject matter often entirely new, and found it difficult promptly to dispose of it in the multitude of other duties. This system imposed a delay in the necessary judicial consideration of interstate-commerce orders before they became effective that sometimes postponed their going into force for several years. In the interest, therefore, of the dispatch of business, in the interest of the public, and especially in the interest of the shippers who were seeking to prevent injustice by the railroads, it was thought wise to create a court of five circuit judges whose first duty should be to sit en banc as a Court of Commerce into which all complaints might be brought for prompt hearing and disposition.

The statistical record of the last two years shows that the average time in which this ordinary litigation, following the Interstate Commerce Commission's orders before the order of the commission shall become effective, has been reduced from more than two years to about six months. The litigation has not occupied all the time of the Commerce Court, and under special provisions of the act, the Chief Justice of the United States has assigned the circuit judges to judicial labors in the Federal courts all over the country, greatly to the advantage of litigants and to the dispatch of business in those courts. It should be said that under the provisions of the section abolishing the Commerce Court in this bill, jurisdiction to consider the validity of the orders of the Interstate Commerce Commission is given to a court of three judges in each of the nine circuits, one of the judges to be a circuit judge or a Supreme Justice. This requirement, good in many ways, only makes the delays of such a countrywide jurisdiction more certain and is in no way comparable in the matter of dispatch of business to the Commerce Court system.

It appears from the decisions of the Supreme Court of the United States that the Commerce Court in several cases has amplified its jurisdiction beyond that which a proper construction of the statute justified. It also appears that in a number of cases the decisions were against the shippers and for the railroads when the Supreme Court decided that they ought to have been the other way. On the other hand, it appears that in a number of other cases the decisions of the Commerce Court were in favor of the shippers and in favor of giving relief to the shippers, against the railroad companies, but that the Supreme Court has since denied the existence of such jurisdiction under the statute. A series of decisions of the Supreme Court has satisfactorily established the limits of the jurisdiction of the new court, and there is no reason to believe that those limits thus established will in future be exceeded. There is every reason to believe that the dispatch of business already promoted by the court will continue. And now the question is, Why should the court be abolished? Because it has made some mistakes that the Supreme Court has rectified? Lower courts, especially when exercising new jurisdiction, are likely to make errors to be corrected by the Supreme Court. The presiding judge of the Commerce Court was the chairman of the Interstate Commerce Commission for a great many years. Three of the Commerce Court judges before their appointment to the Commerce Court had been United States district judges of long experience, and one had been a State judge of standing and experience. The personnel of the court is to change from year to year by the assignment of one of the Commerce Court judges to a circuit court of appeals, and the designation of another circuit judge to fill the vacancy thus made.

I have read the arguments upon which this proposed legislation is urged and I can not find in them a single reason why the court should be abolished except that those who propose to abolish it object to certain of its decisions. Some of those decisions have been sustained and others have been disapproved or modified by the Supreme Court. I am utterly opposed to the abolition of a court because its decisions may not always meet the approval of a majority of the Legislature. It is introducing a recall of the judiciary, which, in its way, is quite as objectionable as the ordinary popular method proposed. Next to impartial and just judgment the great desideratum in judicial reforms to-day is the promotion of the dispatch of business and the prompt decision of cases. The establishment of the Commerce Court has brought this about in a substantial way by reducing the average delay from two years to six months, and I doubt not that as time goes on and the procedure becomes better understood this period of six months will be further reduced. It is greatly in the interest of the shippers and therefore of the public that this means of reducing the time of effective remedial litigation against railroads should be preserved.

WM. H. TAFT.

MEMORANDUM.

[To accompany the Panama Canal Act.]

THE WHITE HOUSE, *August 24, 1912.*

In signing the Panama Canal bill, I wish to leave this memorandum. The bill is admirably drawn for the purpose of securing the proper maintenance, operation, and control of the canal, and the government of the Canal Zone, and for the furnishing to all the patrons of the canal, through the Government, of the requisite docking facilities and the supply of coal and other shipping necessities. It is absolutely necessary to have the bill passed at this session in order that the capital of the world engaged in the preparation of ships to use the canal may know in advance the conditions under which the traffic is to be carried on through this waterway.

I wish to consider the objections to the bill in the order of their importance.

First. The bill is objected to because it is said to violate the Hay-Pauncefote Treaty in discriminating in favor of the coastwise trade of the United States by providing that no tolls shall be charged to vessels engaged in that trade passing through the canal. This is the subject of a protest by the British Government.

The British protest involves the right of the Congress of the United States to regulate its domestic and foreign commerce in such manner as to the Congress may seem wise, and specifically the protest challenges the right of the Congress to exempt American shipping from the payment of tolls for the use of the Panama Canal or to refund to such American ships the tolls which they may have paid, and this without regard to the trade in which such ships are employed, whether coastwise or foreign. The protest states " the proposal to exempt all American shipping from the payment of the tolls would, in the opinion of His Majesty's Government, involve an infraction of the treaty (Hay-Pauncefote), nor is there, in their opinion, any difference in principle between charging tolls only to refund them and remitting tolls altogether. The result is the same in either case and the adoption of the alternative method of refunding tolls in preference of remitting them, while perhaps complying with the letter of the treaty, would still controvert its spirit." The provision of the Hay-Pauncefote Treaty involved is contained in article 3, which provides:

> The United States adopts, as the basis of the neutralization of such ship canal, the following rules, substantially as embodied in the convention of Constantinople, signed the 28th October, 1888, for the free navigation of the Suez Canal—that is to say:
>
> 1. The canal shall be free and open to the vessels of commerce and of war of all nations observing these rules, on terms of entire equality, so that there shall be no discrimination against any such nation, or its citizens or subjects, in respect of the conditions or charges of traffic, or otherwise. Such conditions and charges of traffic shall be just and equitable.

Then follows five other rules to be observed by other nations to make neutralization effective, the observance of which is the condition for the privilege of using the canal.

In view of the fact that the Panama Canal is being constructed by the United States wholly at its own cost, upon territory ceded to it by the Republic of Panama for that purpose, and that, unless it has restricted itself, the United States enjoys absolute rights of ownership and control, including the right to allow its own commerce the use of the canal upon such terms as it sees fit, the sole question is, Has the United States, in the language above quoted from the Hay-Pauncefote Treaty, deprived itself of the exercise of the right to pass its own commerce free or to remit tolls collected for the use of the Canal?

It will be observed that the rules specified in article 3 of the treaty were adopted by the United States for a specific purpose, namely, as the basis of the neutralization of the canal, and for no other purpose. The article is a declaration of policy by the United States that the canal shall be neutral; that the attitude of this Government toward the commerce of the world is that all nations will be treated alike and no discrimination made by the United States against any one of them observing the rules adopted by the United States. The right to the use of the canal and to equality of treatment in the use depends upon the observance of the conditions of the use by the nations to whom we extended that privilege. The privileges of all nations to whom we extended the use upon the observance of these conditions were to be equal to that extended to any one of them which observed the conditions. In other words, it was a conditional favored-nation treatment, the measure of which, in the absence of express stipulation to that effect, is not what the country gives to its own nationals, but the treatment it extends to other nations.

Thus it is seen that the rules are but a basis of neutralization, intended to effect the neutrality which the United States was willing should be the character of the canal and not intended to limit or hamper the United States in the exercise of its sovereign power to deal with its own commerce, using its own canal in whatsoever manner it saw fit.

If there is no "difference in principle between the United States charging tolls to its own shipping only to refund them and remitting tolls altogether," as the British protest declares, then the irresistible conclusion is that the United States, although it owns, controls, and has paid for the canal, is restricted by treaty from aiding its own commerce in the way that all the other nations of the world may freely do. It would scarcely be claimed that the setting out in a treaty between the United States and Great Britain of certain rules adopted by the United States as the basis of the neutralization of the canal would bind any Government to do or refrain from doing anything other than the things required by the rules to insure the privilege of use and freedom from discrimination. Since the rules do not provide as a condition for the privilege of use upon equal terms with other nations that other nations desiring to build up a particular trade involving the use of the canal shall not either directly agree to pay the tolls or to refund to its ships the tolls collected for the use of the canal, it is evident that the treaty does not affect that inherent, sovereign right, unless, which is not likely, it be claimed that the promulgation by the United States of these rules insuring all nations against its discrimination, would authorize the United States to pass upon the action of other nations and require that no one of them should grant to its shipping larger subsidies or more liberal inducement for the use of the canal than were granted by others; in other words, that the United States has the power to equalize the practice of other nations in this regard.

If it is correct, then, to assume that there is nothing in the Hay-Pauncefote Treaty preventing Great Britain and the other nations from extending such favors as they may see fit to their shipping using the canal, and doing it in the way they see fit, and if it is also right to assume that there is nothing in the treaty that gives the United States any supervision over, or right to complain of, such action, then the British protest leads to the absurd conclusion that this Government in constructing the canal, maintaining the canal, and defending the canal, finds itself shorn of its right to deal with its own commerce in its own way, while all other nations using the canal in competition with American commerce enjoy that right and power unimpaired.

The British protest, therefore, is a proposal to read into the treaty a surrender by the United States of its right to regulate its own commerce in its own way and by its own methods—a right which neither Great Britain herself, nor any other nation that may use the canal, has surrendered or proposes to surrender. The surrender of this right is not claimed to be in terms. It is only to be inferred from the fact that the United States has conditionally granted to all the nations the use of the canal without discrimination by the United States between the grantees; but as the treaty leaves all nations desiring to use the canal with full right to deal with their own vessels as they see fit, the United States would only be discriminating against itself if it were to recognize the soundness of the British contention.

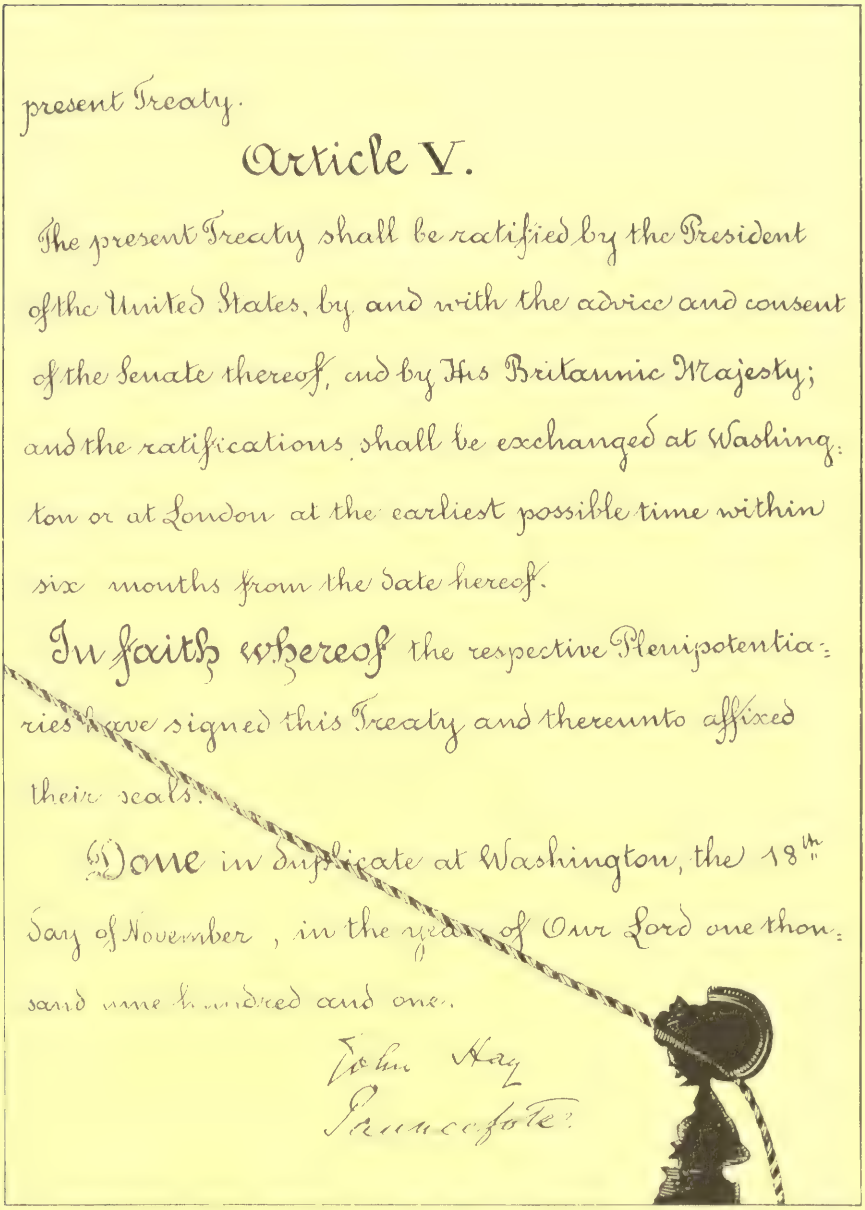
The bill here in question does not positively do more than to discriminate in favor of the coastwise trade, and the British protest seems to recognize a distinction between such exemption and the exemption of American vessels engaged in foreign trade. In effect, of course, there is a substantial and practical difference. The American vessels in foreign trade come into competition with vessels of other nations in that same trade, while foreign vessels are forbidden to engage in the American coastwise trade. While the bill here in question seems to vest the President with discretion to discriminate in fixing tolls in favor of American ships and against foreign ships engaged in foreign trade, within the limitation of the range from 50 cents a ton to $1.25 a net ton, there is nothing in the act to compel the President to make such a discrimination. It is not, therefore, necessary to discuss the policy of such discrimination until the question may arise in the exercise of the President's discretion.

The policy of exempting the coastwise trade from all tolls really involves the question of granting a Government subsidy for the purpose of encouraging that trade in competition with the trade of the transcontinental railroads. I approve this policy. It is in accord with the historical course of the Government in giving Government aid to the construction of the transcontinental roads. It is now merely giving Government aid to a means of transportation that competes with those transcontinental roads.

Second. The bill permits the registry of foreign-built vessels as vessels of the United States for foreign trade, and it also permits the admission without duty of materials for the construction and repair of vessels in the United States. This is objected to on the ground that it will interfere with the shipbuilding interests of the United States. I can not concur in this view. The number of vessels of the United States engaged in foreign trade is so small that the work done by the present shipyards is almost wholly that of constructing vessels for the coastwise trade or Government vessels. In other words, there is substantially no business for building ships in the foreign trade in the shipyards of the United States which will be injured by this new provision. It is hoped that this registry of foreign-built ships in American foreign trades will prove to be a method of increasing our foreign shipping. The experiment will hurt no interest of ours, and we can observe its operation. If it proves to extend our commercial flag to the high seas, it will supply a long-felt want.

Third. Section 5 of the interstate commerce act is amended by forbidding railroad companies to own, lease, operate, control, or have any interest in any common carrier by water operated through the Panama Canal with which such railroad or other carrier does or may compete for traffic. I have twice recommended such restriction as to the Panama Canal. It was urged upon me that the Interstate Commerce Commission might control the trade so as to prevent an abuse from the joint ownership of railroads and of Panama steamships competing with each other, and therefore that this radical provision was not necessary. Conference with the Interstate Commerce Commission, however, satisfied me that such control would not be as effective as this restriction. The difficulty is that the interest of the railroad company is so much larger in its railroad and in the maintenance of its railroad rates than in making a profit out of the steamship line that it can afford temporarily to run its vessels for nearly nothing in order to drive out the business independent steamship lines, and thus obtain complete control of the shipping in the trade through the canal and regulate the rates according to the interest of the railroad company. Jurisdiction is conferred on the Interstate Commerce Commission finally to determine the question of fact as to the competition or possibility of competition of the water carrier with the railroad, and this may be done in advance of any investment of capital.

Fourth. The effect of the amendment of section 5 of the interstate-commerce act also is extended so as to make it unlawful for railroad companies owning or controlling lines of steamships in any other part of the jurisdiction of the United States to continue to do so, and as to such railroad companies and such water carriers the Interstate Commerce Commission is given the duty and power not only finally to determine the question of competition or possibility of competition, but also to determine " that the specified service by water is being operated in the interest of the public and is of advantage to the convenience and commerce of the people, and that such extension will neither exclude, prevent, nor reduce competition on the route by water under consideration "; and, if it finds this to be the case, to extend the time during which such service by water may continue beyond the date fixed in the act for its first operation—to wit, July 1, 1914. Whenever the time is extended, then the water carrier, its rates and schedules, and practices are brought within the control of the



present Treaty.

Article V.

The present Treaty shall be ratified by the President of the United States, by and with the advice and consent of the Senate thereof, and by His Britannic Majesty; and the ratifications shall be exchanged at Washington or at London at the earliest possible time within six months from the date hereof.

In faith whereof the respective Plenipotentiaries have signed this Treaty and thereunto affixed their seals.

Done in duplicate at Washington, the 18th day of November, in the year of Our Lord one thousand nine hundred and one.

John Hay
Pauncefote

FACSIMILE: THE HAY-PAUNCEFOTE TREATY

THE HAY-PAUNCEFOTE TREATY.

This treaty was signed on November 18, 1901, the United States being represented by John Hay, Secretary of State, and Great Britain by Sir Julian Pauncefote, Ambassador to the United States from Great Britain. The treaty provided regulations covering any future construction of a canal connecting the Atlantic and the Pacific oceans, and displaced the Clayton-Bulwer treaty, signed in 1850, which had long caused great and widespread dissatisfaction in the United States. The Clayton-Bulwer treaty had provided that a canal across the Isthmus, either at Panama or Nicaragua, might not be under exclusive control of either Great Britain or the United States, and in other ways had restricted the control of the United States over such an undertaking. The treaty signed in 1901 is rather indefinite in its provisions, but definitely dissipates the restrictions of the Clayton-Bulwer treaty, and provides that the canal is to be free and open to vessels of all nations, on equitable conditions and charges. The Hay-Pauncefote treaty also permits the United States to fortify the Canal, and to close it in time of war. (See article Great Britain, Treaties with, in the Encyclopedic Index.)

Interstate Commerce Commission. How far it is within the power of Congress to delegate to the Interstate Commerce Commission such wide discretion it is unnecessary now to discuss. There is ample time between now and the time of this provision of the act's going into effect to have the matter examined by the Supreme Court, or to change the form of the legislation, should it be deemed necessary. Certainly the suggested invalidity of this section, if true, would not invalidate the entire act, the remainder of which may well stand without regard to this provision.

Fifth. The final objection is. to a provision which prevents the owner of any steamship who is guilty of violating the antitrust law from using the canal. It is quite evident that this section applies only to those vessels engaged in the trade in which there is a monopoly contrary to our Federal statute, and it is a mere injunctive process against the continuance of such monopolistic trade. It adds the penalty of denying the use of the canal to a person or corporation violating the antitrust law. It may have some practical operation where the business monopolized is transportation by ships, but it does not become operative to prevent the use of the canal until the decree of the court shall have established the fact of the guilt of the owner of the vessel. While the penalties of the antitrust law seem to me to be quite sufficient already, I do not know that this new remedy against a particular kind of a trust may not sometimes prove useful.

In a message sent to Congress after this bill had passed both Houses I ventured to suggest a possible amendment by which all persons, and especially all British subjects who felt aggrieved by the provisions of the bill on the ground that they are in violation of the Hay-Pauncefote Treaty, might try that question out in the Supreme Court of the United States. I think this would have satisfied those who oppose the view which Congress evidently entertains of the treaty and might avoid the necessity for either diplomatic negotiation or further decision by an arbitral tribunal. Congress, however, has not thought it wise to accept the suggestion, and therefore I must proceed in the view which I have expressed, and am convinced is the correct one, as to the proper construction of the treaty and the limitations which it imposes upon the United States. I do not find that the bill here in question violates those limitations.

On the whole, I believe the bill to be one of the most beneficial that has passed this or any other Congress, and I find no reason in the objections made to the bill which should lead me to delay, until another session of Congress, provisions that are imperatively needed now in order that due preparation by the world may be made for the opening of the canal.

WM. H. TAFT.

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA.

A PROCLAMATION.

THE WHITE HOUSE, *October 31, 1912.*

To the People of the United States:

James Schoolcraft Sherman, Vice-President of the United States, died at his home in Utica, N. Y., at eighteen minutes to ten o'clock on the evening of October 30, 1912. In his death the nation has lost one of its most illustrious citizens and one of its most efficient and faithful servants.

Elected at an early age to the Mayorship of his native city, the continued confidence of his community was shown by his election for ten terms as a Representative in the National Congress. As a legislator he at once took and retained high rank and displayed such attributes of upright and wide statesmanship as to commend him to the people of the United States for the second highest office within their gift.

As presiding officer of the Senate he won the respect and esteem of all for his fairness and impartiality. His private life was noble and good. His genial disposition and attractiveness of character endeared him to all whose privilege it was to know him. His devotion to the best interests of his native land will endear his memory to his fellow countrymen.

In respect to his memory and the eminent and various services of this high official and patriotic servant, I direct that on the day of the funeral, the executive offices of the United States shall be closed and all posts and stations of the army and navy shall display the national flag at half-mast and that the Representatives of the United States in foreign countries shall pay appropriate tribute to the illustrious dead for a period of forty days.

In witness whereof I have hereunto set my hand and caused the seal of the United States to be affixed.

[Seal.] WM. H. TAFT.

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA.

A PROCLAMATION.

To the People of the United States:

A God-fearing nation, like ours, owes it to its inborn and sincere sense of moral duty to testify its devout gratitude to the All-Giver for the countless benefits it has enjoyed. For many years it has been cus tomary at the close of the year for the national Executive to call upon his fellow countrymen to offer praise and thanks to God for the manifold blessings vouchsafed to them in the past and to unite in earnest suppliance for their continuance.

The year now drawing to a close has been notably favorable to our fortunate land. At peace within and without, free from the perturbations and calamities that have afflicted other peoples, rich in harvests so abundant and in industries so productive that the overflow of our prosperity has advantaged the whole world, strong in the steadfast conservation of the heritage of self-government bequeathed to us by the wisdom of our fathers, and firm in the resolve to transmit that heritage unimpaired, but rather improved by good use, to our children and our children's children for all time to come, the people of this country have abounding cause for contented gratitude.

Wherefore I, William Howard Taft, President of the United States of America, in pursuance of long-established usage and in response to the wish of the American people, invite my countrymen, wheresoever they may sojourn, to join on Thursday, the 28th day of this month of November, in appropriate ascription of praise and thanks to God for the good gifts that have been our portion, and in humble prayer that His great mercies toward us may endure.

In witness whereof I have hereunto set my hand and caused the seal of the United States to be affixed.

Done at the city of Washington this seventh day of November, in the year of our Lord one thousand nine hundred and twelve, and of the independence of the United States of America the one hundred and thirty-seventh.

[SEAL.]

WILLIAM H. TAFT.

By the President:

ALVEY A. ADEE,

Acting Secretary of State.

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA.

A PROCLAMATION.

To the People of the United States:

I, WILLIAM HOWARD TAFT, President of the United States of America, by virtue of the power and authority vested in me by the Act of Congress, approved August twenty-fourth, nineteen hundred and twelve, to provide for the opening, maintenance, protection and opertion of the Panama Canal and the sanitation and government of the Canal Zone, do hereby prescribe and proclaim the following rates of toll to be paid by vessels using the Panama Canal:

1. On merchant vessels carrying passengers or cargo one dollar and twenty cents ($1.20) per net vessel ton—each one hundred (100) cubic feet—of actual earning capacity.
2. On vessels in ballast without passengers or cargo forty (40) per cent less than the rate of tolls for vessels with passengers or cargo.
3. Upon naval vessels, other than transports, colliers, hospital ships and supply ships, fifty (50) cents per displacement ton.
4. Upon army and navy transports, colliers, hospital ships and supply ships one dollar and twenty cents ($1.20) per net ton, the vessels to be measured by the same rules as are employed in determining the net tonnage of merchant vessels.

The Secretary of War will prepare and prescribe such rules for the measurement of vessels and such regulations as may be necessary and proper to carry this proclamation into full force and effect.

In witness whereof I have hereunto set my hand and caused the seal of the United States to be affixed.

Done at the city of Washington this thirteenth day of November, in the year of our Lord one thousand nine hundred and twelve and of the independence of the United States the one hundred and thirty-seventh.

[SEAL]

WILLIAM H. TAFT.

By the President:
P. C. KNOX,
Secretary of State.

ANNUAL MESSAGE—Part I.

[On Our Foreign Relations.]

THE WHITE HOUSE, *December 3, 1912.*

To the Senate and House of Representatives:

The foreign relations of the United States actually and potentially affect the state of the Union to a degree not widely realized and hardly surpassed by any other factor in the welfare of the whole Nation. The position of the United States in the moral, intellectual, and material relations of the family of nations should be a matter of vital interest to every patriotic citizen. The national prosperity and power impose upon us duties which we can not shirk if we are to be true to our ideals. The tremendous growth of the export trade of the United States has already made that trade a very real factor in the industrial and commercial prosperity of the country. With the development of our industries the foreign commerce of the United States must rapidly become a still more essential factor in its economic welfare. Whether we have a farseeing and wise diplomacy and are not recklessly plunged into unnecessary wars, and whether our foreign policies are based upon an intelligent grasp of present-day world conditions and a clear view of the potentialities of the future, or are governed by a temporary and timid expediency or by narrow views befitting an infant nation, are questions in the alternative consideration of which must convince any thoughtful citizen that no department of national polity offers greater opportunity for promoting the interests of the whole people on the one hand, or greater chance on the other of permanent national injury, than that which deals with the foreign relations of the United States.

The fundamental foreign policies of the United States should be raised high above the conflict of partisanship and wholly dissociated from differences as to domestic policy. In its foreign affairs the United States should present to the world a united front. The intellectual, financial, and industrial interests of the country and the publicist, the wage earner, the farmer, and citizen of whatever occupation must cooperate in a spirit of high patriotism to promote that national solidarity which is indispensable to national efficiency and to the attainment of national ideals.

The relations of the United States with all foreign powers remain upon a sound basis of peace, harmony, and friendship. A greater insistence upon justice to American citizens or interests wherever it may have been denied and a stronger emphasis of the need of mutuality in commercial and other relations have only served to strengthen our friendships with foreign countries by placing those friendships upon a firm foundation of realities as well as aspirations.

Before briefly reviewing the more important events of the last year in our foreign relations, which it is my duty to do as charged with their conduct and because diplomatic affairs are not of a nature to make it appropriate that the Secretary of State make a formal annual report, I desire to touch upon some of the essentials to the safe management of the foreign relations of the United States and to endeavor, also, to define clearly certain concrete policies which are the logical modern corollaries of the undisputed and traditional fundamentals of the foreign policy of the United States.

REORGANIZATION OF THE STATE DEPARTMENT

At the beginning of the present administration the United States, having fully entered upon its position as a world power, with the responsibilities thrust upon it by the results of the Spanish-American War, and already engaged in laying the groundwork of a vast foreign trade upon which it should one day become more and more dependent, found itself without the machinery for giving thorough attention to, and taking effective action upon, a mass of intricate business vital to American interests in every country in the world.

The Department of State was an archaic and inadequate machine lacking most of the attributes of the foreign office of any great modern power. With an appropriation made upon my recommendation by the Congress on August 5, 1909, the Department of State was completely reorganized. There were created Divisions of Latin-American Affairs and of Far Eastern, Near Eastern, and Western European Affairs. To these divisions were called from the foreign service diplomatic and consular officers possessing experience and knowledge gained by actual service in different parts of the world and thus familiar with political and commercial conditions in the regions concerned. The work was highly specialized. The result is that where previously this Government from time to time would emphasize in its foreign relations one or another policy, now American interests in every quarter of the globe are being cultivated with equal assiduity. This principle of politico-geographical division possesses also the good feature of making possible rotation between the officers of the departmental, the diplomatic, and the consular branches of the foreign service, and thus keeps the whole diplomatic and consular establishments under the Department of State in close touch and equally inspired with the aims and policy of the Government. Through the newly created Division of Information the foreign service is kept fully informed of what transpires from day to day in the international relations of the country, and contemporary foreign comment affecting American interests is promptly brought to the attention of the department. The law offices of the department were greatly strengthened. There were added foreign-trade advisers to cooperate with the diplomatic and consular bureaus and the politico-geographical divisions in the innumerable matters where commercial diplomacy or consular work calls for such special knowledge. The same officers, together with the rest of the new organization, are able at all times to give to American citizens accurate information as to conditions in foreign countries with which they have business and likewise to cooperate more effectively with the Congress and also with the other executive departments.

MERIT SYSTEM IN CONSULAR AND DIPLOMATIC CORPS

Expert knowledge and professional training must evidently be the essence of this reorganization. Without a trained foreign service there would not be men available for the work in the reorganized Department of State. President Cleveland had taken the first step toward introducing the merit system in the foreign service. That had been followed by the application of the merit principle, with excellent results, to the entire consular branch. Almost nothing, however, had been done in this direction with regard to the Diplomatic Service. In this age of commercial diplomacy it was evidently of the first importance to train an adequate personnel in that branch of the service. Therefore, on November 26, 1909, by an Executive order I placed the Diplomatic Service up to the grade of secretary of embassy, inclusive, upon exactly the same strict nonpartisan basis of the merit system, rigid examination for appointment and promotion only for efficiency, as had been maintained without exception in the Consular Service.

STATISTICS AS TO MERIT AND NONPARTISAN CHARACTER OF APPOINTMENTS

How faithful to the merit system and how nonpartisan has been the conduct of the Diplomatic and Consular Services in the last four years may be judged from the following: Three ambassadors now serving held their present rank at the beginning of my administration. Of the ten ambassadors whom I have appointed, five were by promotion from the rank of minister. Nine ministers now serving held their present rank at the beginning of my administration. Of the thirty ministers whom I have appointed, eleven were promoted from the lower grades of the foreign service or from the Department of State. Of the nineteen missions in Latin America, where our relations are close and our interest is great, fifteen chiefs of mission are service men, three having entered the service during this administration. Thirty-seven secretaries of embassy or legation who have received their initial appointments after passing successfully the required examination were chosen for ascertained fitness, without regard to political affiliations. A dearth of candidates from Southern and Western States has alone made it impossible thus far completely to equalize all the States' representations in the foreign service. In the effort to equalize the representation of the various States in the Consular Service I have made sixteen of the twenty-nine new appointments as consul which have occurred during my administration from the Southern States. This is 55 per cent. Every other consular appointment made, including the promotion of eleven young men from the consular assistant and student interpreter corps, has been by promotion or transfer, based solely upon efficiency shown in the service.

In order to assure to the business and other interests of the

United States a continuance of the resulting benefits of this reform, I earnestly renew my previous recommendations of legislation making it permanent along some such lines as those of the measure now pending in Congress.

LARGER PROVISION FOR EMBASSIES AND LEGATIONS AND FOR OTHER EXPENSES OF OUR FOREIGN REPRESENTATIVES RECOMMENDED

In connection with legislation for the amelioration of the foreign service, I wish to invite attention to the advisability of placing the salary appropriations upon a better basis. I believe that the best results would be obtained by a moderate scale of salaries, with adequate funds for the expense of proper representation, based in each case upon the scale and cost of living at each post, controlled by a system of accounting, and under the general direction of the Department of State.

In line with the object which I have sought of placing our foreign service on a basis of permanency, I have at various times advocated provision by Congress for the acquisition of Government-owned buildings for the residence and offices of our diplomatic officers, so as to place them more nearly on an equality with similar officers of other nations and to do away with the discrimination which otherwise must necessarily be made, in some cases, in favor of men having large private fortunes. The act of Congress which I approved on February 17, 1911, was a right step in this direction. The Secretary of State has already made the limited recommendations permitted by the act for any one year, and it is my hope that the bill introduced in the House of Representatives to carry out these recommendations will be favorably acted on by the Congress during its present session.

In some Latin-American countries the expense of government-owned legations will be less than elsewhere, and it is certainly very urgent that in such countries as some of the Republics of Central America and the Caribbean, where it is peculiarly difficult to rent suitable quarters, the representatives of the United States should be justly and adequately provided with dignified and suitable official residences. Indeed, it is high time that the dignity and power of this great Nation should be fittingly signalized by proper buildings for the occupancy of the Nation's representatives everywhere abroad.

DIPLOMACY A HAND MAID OF COMMERCIAL INTERCOURSE AND PEACE

The diplomacy of the present administration has sought to respond to modern ideas of commercial intercourse. This policy has been characterized as substituting dollars for bullets. It is one that appeals alike to idealistic humanitarian sentiments, to the dictates of sound policy and strategy, and to legitimate commercial aims. It is an effort frankly directed to the increase of American trade upon the axiomatic principle that the Government of the United States shall extend all proper support to every legitimate and beneficial American enterprise abroad. How great have been the results of this diplomacy, coupled with the maximum and minimum provision of the tariff law, will be seen by some consideration of the wonderful increase in the export trade of the United States. Because modern diplomacy is commercial, there has been a disposition in some quarters to attribute to it none but materialistic aims. How strikingly erroneous is such an impression may be seen from a study of the results by which the diplomacy of the United States can be judged.

SUCCESSFUL EFFORTS IN PROMOTION OF PEACE

In the field of work toward the ideals of peace this Government negotiated, but to my regret was unable to consummate, two arbitration treaties which set the highest mark of the aspiration of nations toward the substitution of arbitration and reason for war in the settlement of international disputes. Through the efforts of American diplomacy several wars have been prevented or ended. I refer to the successful tripartite mediation of the Argentine Republic, Brazil, and the United States between Peru and Ecuador; the bringing of the boundary dispute between Panama and Costa Rica to peaceful arbitration; the staying of warlike preparations when Haiti and the Dominican Republic were on the verge of hostilities; the stopping of a war in Nicaragua; the halting of internecine strife in Honduras. The Government of the United States was thanked for its influence toward the restoration of amicable relations between the Argentine Republic and Bolivia. The diplomacy of the United States is active in seeking to assuage the remaining ill-feeling between this country and the Republic of Colombia. In the recent civil war in China the United States successfully joined with the other interested powers in urging an early cessation of hostilities. An agreement has been reached between the Governments of Chile and Peru whereby the celebrated Tacna-Arica dispute, which has so long embittered international relations on the west coast of South America, has at last been adjusted. Simultaneously came the news that the boundary dispute between Peru and Ecuador had entered upon a stage of amicable settlement. The position of the United States in reference to the Tacna-Arica dispute between Chile and Peru has been one of nonintervention, but one of friendly influence and pacific counsel throughout the period during which the dispute in question has been the subject of interchange of views between this Government and the two Governments immediately concerned. In the general easing of international tension on the west coast of South America the tripartite mediation, to which I have referred, has been a most potent and beneficent factor.

CHINA

In China the policy of encouraging financial investment to enable that country to help itself has had the result of giving new life and practical application to the open-door policy. The consistent purpose of the present administration has been to encourage the use of American capital in the development of China by the promotion of those essential reforms to which China is pledged by treaties with the United States and other powers. The hypothecation to foreign bankers in connection with certain industrial enterprises, such as the Hukuang railways, of the national revenues upon which these reforms depended, led the Department of State early in the administration to demand for American citizens participation in such enterprises, in order that the United States might have equal rights and an equal voice in all questions pertaining to the disposition of the public revenues concerned. The same policy of promoting international accord among the powers having similar treaty rights as ourselves in the matters of reform, which could not be put into practical effect without the common consent of all, was likewise adopted in the case of the loan desired by China for the reform of its currency. The principle of international cooperation in matters of common interest upon which our policy had already been based in all of the above instances has admittedly been a great factor in that concert of the powers which has been so happily conspicuous during the perilous period of transition through which the great Chinese nation has been passing.

CENTRAL AMERICA NEEDS OUR HELP IN DEBT ADJUSTMENT

In Central America the aim has been to help such countries as Nicaragua and Honduras to help themselves. They are the immediate beneficiaries. The national benefit to the United States is twofold. First, it is obvious that the Monroe doctrine is more vital in the neighborhood of the Panama Canal and the zone of the Caribbean than anywhere else. There, too, the maintenance of that doctrine falls most heavily upon the United States. It is therefore essential that the countries within that sphere shall be removed from the jeopardy involved by heavy foreign debt and chaotic national finances and from the ever-present danger of international complications due to disorder at home. Hence the United States has been glad to encourage and support American bankers who were willing to lend a helping hand to the financial rehabilitation of such countries because this financial rehabilitation and the protection of their customhouses from being the prey of would-be dictators would remove at one stroke the menace of foreign creditors and the menace of revolutionary disorder.

The second advantage of the United States is one affecting chiefly all the southern and Gulf ports and the business and industry of the South. The Republics of Central America and the Caribbean possess great natural wealth. They need only a measure of stability and the means of financial regeneration to enter upon an era of peace and prosperity, bringing profit and happiness to themselves and at the same time creating conditions sure to lead to a flourishing interchange of trade with this country.

I wish to call your especial attention to the recent occurrences in Nicaragua, for I believe the terrible events recorded there during the revolution of the past summer—the useless loss of life, the devastation of property, the bombardment of defenseless cities, the killing and wounding of women and children, the torturing of noncombatants to exact contributions, and the suffering of thousands of human beings—might have been averted had the Department of State, through approval of the loan convention by the Senate, been permitted to carry out its now well-developed policy of encouraging the extending of financial aid to weak Central American States with the primary objects of avoiding just such revolutions by assisting those Republics to rehabilitate their finances, to establish their currency on a stable basis, to remove the customhouses from the danger of revolutions by arranging for their secure administration, and to establish reliable banks.

During this last revolution in Nicaragua, the Government of that Republic having admitted its inability to protect American life and property against acts of sheer lawlessness on the part of the malcontents, and having requested this Government to assume that office, it became necessary to land over 2,000 marines and bluejackets in Nicaragua. Owing to their presence the constituted Government of Nicaragua was free to devote its attention wholly to its internal troubles, and was thus enabled to stamp out the rebellion in a short space of time. When the Red Cross supplies sent to Granada had been exhausted, 8,000 persons having been given food in one day upon the arrival of the American forces, our men supplied other unfortunate, needy Nicaraguans from their own haversacks. I wish to congratulate the officers and men of the United States navy and Marine Corps who took part in reestablishing order in Nicaragua upon their splendid conduct, and to record with sorrow the death of seven American marines and bluejackets. Since the reestablishment of peace and order, elections have been held amid conditions of quiet and tranquility. Nearly all the American marines have now been withdrawn. The country should soon be on the road to recovery. The only apparent danger now threatening Nicaragua arises from the shortage of funds. Although American bankers have already rendered assistance, they may naturally be loath to advance a loan adequate to set the country upon its feet without the support of some such convention as that of June, 1911, upon which the Senate has not yet acted.

ENFORCEMENT OF NEUTRALITY LAWS

In the general effort to contribute to the enjoyment of peace by those Republics which are near neighbors of the United States, the administration has enforced the so-called neutrality statutes with a new vigor, and those statutes were greatly strengthened in restricting the exportation of arms and munitions by the joint resolution of last March. It is still a regrettable fact that certain American ports are made the rendezvous of professional revolutionists and others engaged in intrigue against the peace of those Republics. It must be admitted that occasionally a revolution in this region is justified as a real popular movement to throw off the shackles of a vicious and tyrannical government. Such was the Nicaraguan revolution against the Zelaya régime. A nation enjoying our liberal institutions can not escape sympathy with a true popular movement, and one so well justified. In very many cases, however, revolutions in the Republics in question have no basis in principle, but are due merely to the machinations of conscienceless and ambitious men, and have no effect but to bring new suffering and fresh burdens to an already oppressed people. The question whether the use of American ports as *foci* of revolutionary intrigue can be best dealt with by a further amendment to the neutrality statutes or whether it would be safer to deal with special cases by special laws is one worthy of the careful consideration of the Congress.

VISIT OF SECRETARY KNOX TO CENTRAL AMERICA AND THE CARIBBEAN

Impressed with the particular importance of the relations between the United States and the Republics of Central America and the Caribbean region, which of necessity must become still more intimate by reason of the mutual advantages which will be presented by the opening of the Panama Canal, I directed the Secretary of State last February to visit these Republics for the purpose of giving evidence of the sincere friendship and good will which the Government and people of the United States bear toward them. Ten Republics were visited. Everywhere he was received with a cordiality of welcome and a generosity of hospitality such as to impress me deeply and to merit our warmest thanks. The appreciation of the Governments and people of the countries visited, which has been appropriately shown in various ways, leaves me no doubt that his visit will conduce to that closer union and better understanding between the United States and those Republics which I have had it much at heart to promote.

OUR MEXICAN POLICY

For two years revolution and counter-revolution has distraught the neighboring Republic of Mexico. Brigandage has involved a great deal of depredation upon foreign interests. There have constantly recurred questions of extreme delicacy. On several occasions very difficult situations have arisen on our frontier. Throughout this trying period, the policy of the United States has been one of patient nonintervention, steadfast recognition of constituted authority in the neighboring nation, and the exertion of every effort to care for American interests. I profoundly hope that the Mexican nation may soon resume the path of order, prosperity, and progress. To that nation in its sore troubles, the sympathetic friendship of the United States has been demonstrated to a high degree. There were in Mexico at the beginning of the revolution some thirty or forty thousand American citizens engaged in enterprises contributing greatly to the prosperity of that Republic and also benefiting the important trade between the two countries. The investment of American capital in Mexico has been estimated at $1,000,000,000. The responsibility of endeavoring to safeguard those interests and the dangers inseparable from propinquity to so turbulent a situation have been great, but I am happy to have been able to adhere to the policy above outlined—a policy which I hope may be soon justified by the complete success of the Mexican people in regaining the blessings of peace and good order.

AGRICULTURAL CREDITS

A most important work, accomplished in the past year by the American diplomatic officers in Europe, is the investigation of the agricultural credit system in the European countries. Both as a means to afford relief to the consumers of this country through a more thorough development of agricultural resources and as a means of more sufficiently maintaining the agricultural population, the project to establish credit facilities for the farmers is a concern of vital importance to this Nation. No evidence of prosperity among well-established farmers should blind us to the fact that lack of capital is preventing a development of the Nation's agricultural resources and an adequate increase of the land under cultivation; that agricultural production is fast falling behind the increase in population; and that, in fact, although these well-established farmers are maintained in increasing prosperity because of the natural increase in population, we are not developing the industry of agriculture. We are not breeding in proportionate numbers a race of independent and independence-loving landowners, for a lack of which no growth of cities can compensate. Our farmers have been our mainstay in times of crisis, and in future it must still largely be upon their stability and common sense that this democracy must rely to conserve its principles of self-government.

The need of capital which American farmers feel to-day had been experienced by the farmers of Europe, with their centuries-old farms, many years ago. The problem had been successfully solved in the Old World and it was evident that the farmers of this country might profit by a study of their systems. I therefore ordered, through the Department of State, an investigation to be made by the diplomatic officers in Europe, and I have laid the results of this investigation before the governors of the various States with the hope that they will be used to advantage in their forthcoming meeting.

INCREASE OF FOREIGN TRADE

In my last annual message I said that the fiscal year ended June 30, 1911, was noteworthy as marking the highest record of exports of American products to foreign countries. The fiscal year 1912 shows that this rate of advance has been maintained, the total domestic exports having a valuation approximately of $2,200,000,000, as compared with a fraction over $2,000,000,000 the previous year. It is also significant that manufactured and partly manufactured articles continue to be the chief commodities forming the volume of our augmented exports, the demands of our own people for consumption requiring that an increasing proportion of our abundant agricultural products be kept at home. In the fiscal year 1911 the exports of articles in the various stages of manufacture, not including foodstuffs partly or wholly manufactured, amounted approximately to $907,500,000. In the fiscal year 1912 the total was nearly $1,022,000,000, a gain of $114,000,000.

ADVANTAGE OF MAXIMUM AND MINIMUM TARIFF PROVISION

The importance which our manufactures have assumed in the commerce of the world in competition with the manufactures of other countries again draws attention to the duty of this Government to use its utmost endeavors to secure impartial treatment for American products in all markets. Healthy commercial rivalry in international intercourse is best assured by the possession of proper means for protecting and promoting our foreign trade. It is natural that competitive countries should view with some concern this steady expansion of our commerce. If in some instance the measures taken by them to meet it are not entirely equitable, a remedy should be found. In former messages I have described the negotiations of the Department of State with foreign Governments for the adjustment of the maximum and minimum tariff as provided in section 2 of the tariff law of 1909. The advantages secured by the adjustment of our trade relations under this law have continued during the last year, and some additional cases of discriminatory treatment of which we had reason to complain have been removed. The Department of State has for the first time in the history of this country obtained substantial most-favored-nation treatment from all the countries of the world. There are, however, other instances which, while apparently not constituting undue discrimination in the sense of section 2, are nevertheless exceptions to the complete equity of tariff treatment for American products that the Department of State consistently has sought to obtain for American commerce abroad.

NECESSITY FOR SUPPLEMENTARY LEGISLATION

These developments confirm the opinion conveyed to you in my annual message of 1911, that while the maximum and minimum provision of the tariff law of 1909 has been fully justified by the success achieved in removing previously existing undue discriminations against American products, yet experience has shown that this feature of the law should be amended in such way as to provide a fully effective means of meeting the varying degrees of discriminatory treatment of American commerce in foreign countries still encountered, as well as to protect against injurious treatment on the part of foreign Governments, through either legislative or administrative measures, the financial interests abroad of American citizens whose enterprises enlarge the market for American commodities.

I can not too strongly recommend to the Congress the passage of some such enabling measure as the bill which was recommended by the Secretary of State in his letter of December 13, 1911. The object of the proposed legislation is, in brief, to enable the Executive to apply, as the case may require, to any or all commodities, whether or not on the free list from a country which discriminates against the United States, a graduated scale of duties up to the maximum of 25 per cent *ad valorem* provided in the present law. Flat tariffs are out of date. Nations no longer accord equal tariff treatment to all other nations irrespective of the treatment from them received. Such a flexible power at the command of the Executive would serve to moderate any unfavorable tendencies on the part of those countries from which the importations into the United States are substantially confined to articles on the free list as well as of the countries which find a lucrative market in the United States for their products under existing customs rates. It is very necessary that the American Government should be equipped with weapons of negotiation adapted to modern economic conditions, in order that we may at all times be in a position to gain not only technically just but actually equitable treatment for our trade, and also for American enterprise and vested interests abroad.

BUSINESS SECURED TO OUR COUNTRY BY DIRECT OFFICIAL EFFORT

As illustrating the commercial benefits of the Nation derived from the new diplomacy and its effectiveness upon the material as well as the more ideal side, it may be remarked that through direct official efforts alone there have been obtained in the course of this administration, contracts from foreign Governments involving an expenditure of $50,000,000 in the factories of the United States. Consideration of this fact and some reflection upon the necessary effects of a scientific tariff system and a foreign service alert and equipped to cooperate with the business men of America carry the conviction that the gratifying increase in the export trade of this country is, in substantial amount, due to our improved governmental methods of protecting and stimulating it. It is germane to these observations to remark that in the two years that have elapsed since the successful negotiation of our new treaty with Japan, which at the time seemed to present so many practical difficulties, our export trade to that country has increased at the rate of over $1,000,000 a month. Our exports to Japan for the year ended June 30, 1910, were $21,959,310, while for the year ended June 30, 1912, the exports were $53,478,046, a net increase in the sale of American products of nearly 150 per cent.

SPECIAL CLAIMS ARBITRATION WITH GREAT BRITAIN

Under the special agreement entered into between the United States and Great Britain on August 18, 1910, for the arbitration of outstanding pecuniary claims, a schedule of claims and the terms of submission have been agreed upon by the two Governments, and together with the special agreement were approved by the Senate on July 19, 1911, but in accordance with the terms of the agreement they did not go into effect until confirmed by the two Governments by an exchange of notes, which was done on April 26 last. Negotiations are still in progress for a supplemental schedule of claims to be submitted to arbitration under this agreement, and meanwhile the necessary preparations for the arbitration of the claims included in the first schedule have been undertaken and are being carried on under the authority of an appropriation made for that purpose at the last session of Congress. It is anticipated that the two Governments will be prepared to call upon the arbitration tribunal, established under this agreement, to meet at Washington early next year to proceed with this arbitration.

FUR SEAL TREATY AND NEED FOR AMENDMENT OF OUR STATUTE

The act adopted at the last session of Congress to give effect to the fur-seal convention of July 7, 1911, between Great Britain, Japan, Russia, and the United States provided for the suspension of all land killing of seals on the Pribilof Islands for a period of five years, and an objection has now been presented to this provision by the other parties in interest, which raises the issue as to whether or not this prohibition of land killing is inconsistent with the spirit, if not the letter, of the treaty stipulations. The justification of establishing this close season depends, under the terms of the convention, upon how far, if at all, it is necessary for protecting and preserving the American fur-seal herd and for increasing its number. This is a question requiring examination of the present condition of the herd and the treatment which it needs in the light of actual experience and scientific investigation. A careful examination of the subject is now being made, and this Government will soon be in possession of a considerable amount of new information about the American seal herd, which has been secured during the past season and will be of great value in determining this question; and if it should appear that there is any uncertainty as to the real necessity for imposing a close season at this time I shall take an early opportunity to address a special message to Congress on this subject, in the belief that this Government should yield on this point rather than give the slightest ground for the charge that we have been in any way remiss in observing our treaty obligations.

FINAL SETTLEMENT OF NORTH ATLANTIC FISHERIES DISPUTE

On the 20th of July last an agreement was concluded between the United States and Great Britain adopting, with certain modifications, the rules and method of procedure recommended in the award rendered by the North Atlantic Coast Fisheries Arbitration Tribunal on September 7, 1910, for the settlement hereafter, in accordance with the principles laid down in the award, of questions arising with reference to the exercise of the American fishing liberties under Article I of the treaty of October 20, 1818, between the United States and Great Britain. This agreement received the approval of the Senate on August 1 and was formally ratified by the two Governments on November 15 last. The rules and a method of procedure embodied in the award provided for determining by an impartial tribunal the reasonableness of any new fishery regulations on the treaty coasts of Newfoundland and Canada before such regulations could be enforced against American fishermen exercising their treaty liberties on those coasts, and also for determining the delimitation of bays on such coasts more than 10 miles wide, in accordance with the definition adopted by the tribunal of the meaning of the word "bays" as used in the treaty. In the subsequent negotiations between the two Governments, undertaken for the purpose of giving practical effect to these rules and methods of procedure, it was found that certain modifications therein were desirable from the point of view of both Governments, and these negotiations have finally resulted in the agreement above mentioned by which the award recommendations as modified by mutual consent of the two Governments are finally adopted and made effective, thus bringing this century-old controversy to a final conclusion, which is equally beneficial and satisfactory to both Governments.

IMPERIAL VALLEY AND MEXICO

In order to make possible the more effective performance of the work necessary for the confinement in their present channel of the waters of the lower Colorado River, and thus to protect the people of the Imperial Valley, as well as in order to reach with the Government of Mexico an understanding regarding the distribution of the waters of the Colorado River, in which both Governments are much interested, negotiations are going forward with a view to the establishment of a preliminary Colorado River commission, which shall have the powers necessary to enable it to do the needful work and with authority to study the question of the equitable distribution of the waters. There is every reason to believe that an understanding upon this point will be reached and that an agreement will be signed in the near future.

CHAMIZAL DISPUTE

In the interest of the people and city of El Paso this Government has been assiduous in its efforts to bring to an early settlement the long-standing Chamizal dispute with Mexico. Much has been accomplished, and while the final solution of the dispute is not immediate, the favorable attitude lately assumed by the Mexican Government encourages the hope that this troublesome question will be satisfactorily and definitively settled at an early day.

INTERNATIONAL COMMISSION OF JURISTS

In pursuance of the convention of August 23, 1906, signed at the Third Pan American Conference, held at Rio de Janeiro, the International Commission of Jurists met at that capital during the month of last June. At this meeting 16 American Republics were represented, including the United States, and comprehensive plans for the future work of the commission were adopted. At the next meeting fixed for June, 1914, committees already appointed are instructed to report regarding topics assigned to them.

OPIUM CONFERENCE—UNFORTUNATE FAILURE OF OUR GOVERNMENT TO ENACT RECOMMENDED LEGISLATION

In my message on foreign relations communicated to the two Houses of Congress December 7, 1911, I called especial attention to the assembling of the Opium Conference at The Hague, to the fact that that conference was to review all pertinent municipal laws relating to the opium and allied evils, and certainly all international rules regarding these evils, and to the fact that it seemed to me most essential that the Congress should take immediate action on the antinarcotic legislation before the Congress, to which I had previously called attention by a special message.

The international convention adopted by the conference conforms almost entirely to the principles contained in the proposed antinarcotic legislation which has been before the last two Congresses. It was most unfortunate that this Government, having taken the initiative in the international action which eventuated in the important international opium convention, failed to do its share in the great work by neglecting to pass the necessary legislation to correct the deplorable narcotic evils in the United States as well as to redeem international pledges upon which it entered by virtue of the abovementioned convention. The Congress at its present session should enact into law those bills now before it which have been so carefully drawn up in collaboration between the Department of State and the other executive departments, and which have behind them not only the moral sentiment of the country, but the practical support of all the legitimate trade interests likely to be affected. Since the international convention was signed, adherence to it has been made by several European States not represented at the conference at The Hague and also by seventeen Latin-American Republics.

EUROPE AND THE NEAR EAST

The war between Italy and Turkey came to a close in October last by the signature of a treaty of peace, subsequently to which the Ottoman Empire renounced sovereignty over Cyrenaica and Tripolitania in favor of Italy. During the past year the Near East has unfortunately been the theater of constant hostilities. Almost simultaneously with the conclusion of peace between Italy and Turkey and their arrival at an adjustment of the complex questions at issue between them, war broke out between Turkey on the one hand and Bulgaria, Greece, Montenegro, and Servia on the other. The United

States has happily been involved neither directly nor indirectly with the causes or questions incident to any of these hostilities and has maintained in regard to them an attitude of absolute neutrality and of complete political disinterestedness. In the second war in which the Ottoman Empire has been engaged the loss of life and the consequent distress on both sides have been appalling, and the United States has found occasion, in the interest of humanity, to carry out the charitable desires of the American people, to extend a measure of relief to the sufferers on either side through the impartial medium of the Red Cross. Beyond this the chief care of the Government of the United States has been to make due provision for the protection of its national resident in belligerent territory. In the exercise of my duty in this matter I have dispatched to Turkish waters a special-service squadron, consisting of two armored cruisers, in order that this Government may if need be bear its part in such measures as it may be necessary for the interested nations to adopt for the safeguarding of foreign lives and property in the Ottoman Empire in the event that a dangerous situation should develop. In the meanwhile the several interested European powers have promised to extend to American citizens the benefit of such precautionary or protective measures as they might adopt, in the same manner in which it has been the practice of this Government to extend its protection to all foreign residents in those countries of the Western Hemisphere in which it has from time to time been the task of the United States to act in the interest of peace and good order. The early appearance of a large fleet of European warships in the Bosphorus apparently assured the protection of foreigners in that quarter, where the presence of the American *stationnaire* the U. S. S. *Scorpion* sufficed, under the circumstances, to represent the United States. Our cruisers were thus left free to act if need be along the Mediterranean coasts should any unexpected contingency arise affecting the numerous American interests in the neighborhood of Smyrna and Beirut.

SPITZBERGEN

The great preponderance of American material interests in the subarctic island of Spitzbergen, which has always been regarded politically as "no man's land," impels this Government to a continued and lively interest in the international dispositions to be made for the political governance and administration of that region. The conflict of certain claims of American citizens and others is in a fair way to adjustment, while the settlement of matters of administration, whether by international conference of the interested powers or otherwise, continues to be the subject of exchange of views between the Governments concerned.

LIBERIA

As a result of the efforts of this Government to place the Government of Liberia in position to pay its outstanding indebtedness and to maintain a stable and efficient government, negotiations for a loan of $1,700,000 have been successfully concluded, and it is anticipated that the payment of the old loan and the issuance of the bonds of the 1912 loan for the rehabilitation of the finances of Liberia will follow at an early date, when the new receivership will go into active operation. The new receivership will consist of a general receiver of customs designated by the Government of the United States and three receivers of customs designated by the Governments of Germany, France, and Great Britain, which countries have commercial interests in the Republic of Liberia.

In carrying out the understanding between the Government of Liberia and that of the United States, and in fulfilling the terms of the agreement between the former Government and the American bankers, three competent ex-army officers are now effectively employed by the Liberian Government in reorganizing the police force of the Republic, not only to keep in order the native tribes in the hinterland but to serve as a necessary police force along the frontier. It is hoped that these measures will assure not only the continued existence but the prosperity and welfare of the Republic of Liberia. Liberia possesses fertility of soil and natural resources, which should insure to its people a reasonable prosperity. It was the duty of the United States to assist the Republic of Liberia in accordance with our historical interest and moral guardianship of a community founded by American citizens, as it was also the duty of the American Government to attempt to assure permanence to a country of much sentimental and perhaps future real interest to a large body of our citizens.

MOROCCO

The legation at Tangier is now in charge of our consul general, who is acting as chargé d'affaires, as well as caring for our commercial interests in that country. In view of the fact that many of the foreign powers are now represented by chargés d'affaires it has not been deemed necessary to appoint at the present time a minister to fill a vacancy occurring in that post.

THE FAR EAST

The political disturbances in China in the autumn and winter of 1911–12 resulted in the abdication of the Manchu rulers on February 12, followed by the formation of a provisional republican government empowered to conduct the affairs of the nation until a permanent government might be regularly established. The natural sympathy of the American people with the assumption of republican principles by the Chinese people was appropriately expressed in a concurrent resolution of Congress on April 17, 1912. A constituent assembly, composed of representatives duly chosen by the people of China in the elections that are now being held, has been called to meet in January next to adopt a permanent constitution and organize the Government of the nascent Republic. During the formative constitutional stage and pending definite action by the assembly, as expressive of the popular will, and the hoped-for establishment of a stable republican form of government, capable of fulfilling its international obligations, the United States is, according to precedent, maintaining full and friendly *de facto* relations with the provisional Government.

The new condition of affairs thus created has presented many serious and complicated problems, both of internal rehabilitation and of international relations, whose solution it was realized would necessarily require much time and patience. From the beginning of the upheaval last autumn it was felt by the United States, in common with the other powers having large interests in China, that independent action by the foreign Governments in their own individual interests would add further confusion to a situation already complicated. A policy of international cooperation was accordingly adopted in an understanding, reached early in the disturbances, to act together for the protection of the lives and property of foreigners if menaced, to maintain an attitude of strict impartiality as between the contending factions, and to abstain from any endeavor to influence the Chinese in their organization of a new form of government. In view of the seriousness of the disturbances and their general character, the American minister at Peking was instructed at his discretion to advise our nationals in the affected districts to concentrate at such centers as were easily accessible to foreign troops or men of war. Nineteen of our naval vessels were stationed at various Chinese ports, and other measures were promptly taken for the adequate protection of American interests.

It was further mutually agreed, in the hope of hastening an end to hostilities, that none of the interested powers would approve the making of loans by its nationals to either side. As soon, however, as a united provisional Government of China was assured, the United States joined in a favorable consideration of that Government's request for advances needed for immediate administrative necessities and later for a loan to effect a permanent national reorganization. The interested Governments had already, by common consent, adopted, in respect to the purposes, expenditure, and security of any loans to China made by their nationals, certain conditions which were held to be essential, not only to secure reasonable protection for the foreign investors, but also to safeguard and strengthen China's credit by discouraging indiscriminate borrowing and by insuring the application of the funds toward the establishment of the stable and effective government necessary to China's welfare. In June last representative banking groups of the United States, France, Germany, Great Britain, Japan, and Russia formulated, with the general sanction of their respective Governments, the guaranties that would be expected in relation to the expenditure and security of the large reorganization loan desired by China, which, however, have thus far proved unacceptable to the provisional Government.

SPECIAL MISSION OF CONDOLENCE TO JAPAN

In August last I accredited the Secretary of State as special ambassador to Japan, charged with the mission of bearing to the imperial family, the Government, and the people of that Empire the sympathetic message of the American Commonwealth on the sad occasion of the death of His Majesty the Emperor Mutsuhito, whose long and benevolent reign was the greater part of Japan's modern history. The kindly reception everywhere accorded to Secretary Knox showed that his mission was deeply appreciated by the Japanese nation and emphasized strongly the friendly relations that have for so many years existed between the two peoples.

SOUTH AMERICA

Our relations with the Argentine Republic are most friendly and cordial. So, also, are our relations with Brazil, whose Government has accepted the invitation of the United States to send two army officers to study at the Coast Artillery School at Fort Monroe. The long-standing Alsop claim, which had been the only hindrance to the healthy growth of the most friendly relations between the United States and Chile, having been eliminated through the submission of the question to His Britannic Majesty King George V as "amiable compositeur," it is a cause of much gratification to me that our relations with Chile are now established upon a firm basis of growing friendship. The Chilean Government has placed an officer of the United States Coast Artillery in charge of the Chilean Coast Artillery School, and has shown appreciation of American methods by confiding to an American firm important work for the Chilean coast defenses.

Last year a revolution against the established Government of Ecuador broke out at the pricipal port of that Republic. Previous to this occurrence the chief American interest in Ecuador, represented by the Guayaquil & Quito Railway Co., incorporated in the United States, had rendered extensive transportation and other services on account to the Ecuadorian Government, the amount of which ran into a sum which was steadily increasing and which the Ecuadorian Government had made no provision to pay, thereby threatening to crush out the very existence of this American enterprise. When tranquillity had been restored to Ecuador as a result of the triumphant progress of the Government forces from Quito, this Government interposed its good offices to the end that the American interests in Ecuador might be saved from complete extinction. As a part of the arrangement which was reached between the parties, and at the request of the Government of Ecuador, I have consented to name an arbitrator, who, acting under the terms of the railroad contract, with an arbitrator named by the Ecuadorian Government, will pass upon the claims that have arisen since the arrangement reached through the action of a similar arbitral tribunal in 1908.

In pursuance of a request made some time ago by the Ecuadorian Government, the Department of State has given much attention to the problem of the proper sanitation of Guayaquil. As a result a detail of officers of the Canal Zone will be sent to Guayaquil to recommend measures that will lead to the complete permanent sanitation of this plague and fever infected region of that Republic, which has for so long constituted a menace to health conditions on the Canal Zone. It is hoped that the report which this mission will furnish will point out a way whereby the modicum of assistance which the United States may properly lend the Ecuadorian Government may be made effective in ridding the west coast of South America of a focus of contagion to the future commercial current passing through the Panama Canal.

In the matter of the claim of John Celestine Landreau against the Government of Peru, which claim arises out of certain contracts and transactions in connection with the discovery and exploitation of guano, and which has been under discussion between the two Governments since 1874, I am glad to report that as the result of prolonged negotiations, which have been characterized by the utmost friendliness and good will on both sides, the Department of State has succeeded in securing the consent of Peru to the arbitration of the claim, and that the negotiations attending the drafting and signature of a protocol submitting the claim to an arbitral tribunal are proceeding with due celerity.

An officer of the American Public Health Service and an American sanitary engineer are now on the way to Iquitos, in the employ of the Peruvian Government, to take charge of the sanitation of that river port. Peru is building a number of submarines in this country, and continues to show every desire to have American capital invested in the Republic.

In July the United States sent undergraduate delegates to the Third International Students Congress held at Lima, American students having been for the first time invited to one of these meetings.

The Republic of Uruguay has shown its appreciation of American agricultural and other methods by sending a large commission to this country and by employing many American experts to assist in building up agricultural and allied industries in Uruguay.

Venezuela is paying off the last of the claims the settlement of which was provided for by the Washington protocols, including those of American citizens. Our relations with Venezuela are most cordial, and the trade of that Republic with the United States is now greater than with any other country.

CENTRAL AMERICA AND THE CARIBBEAN

During the past summer the revolution against the administration which followed the assassination of President Caceres a year ago last November brought the Dominican Republic to the verge of administrative chaos, without offering any guaranties of eventual stability in the ultimate success of either party. In pursuance of the treaty relations of the United States with the Dominican Republic, which were threatened by the necessity of suspending the operation under American administration of the customhouses on the Haitian frontier, it was found necessary to dispatch special commissioners to the island to reestablish the customhouses and with a guard sufficient to insure needed protection to the customs administration. The efforts which have been made appear to have resulted in the restoration of normal conditions throughout the Republic. The good offices which the commissioners were able to exercise were instrumental in bringing the contending parties together and in furnishing a basis of adjustment which it is hoped will result in permanent benefit to the Dominican people.

Mindful of its treaty relations, and owing to the position of the Government of the United States as mediator between the Dominican Republic and Haiti in their boundary dispute, and because of the further fact that the revolutionary activities on the Haitian-Dominican frontier had become so active as practically to obliterate the line of demarcation that had been heretofore recognized pending the definitive settlement of the boundary in controversy, it was found necessary to indicate to the two island Governments a provisional *de facto* boundary line. This was done without prejudice to the rights or obligations of either country in a final settlement to be reached by arbitration. The tentative line chosen was one which, under the circumstances brought to the knowledge of this Government, seemed to conform to the best interests of the disputants.

The border patrol which it had been found necessary to reestablish for customs purposes between the two countries was instructed provisionally to observe this line.

The Republic of Cuba last May was in the throes of a lawless uprising that for a time threatened the destruction of a great deal of valuable property—much of it owned by Americans and other foreigners—as well as the existence of the Government itself. The armed forces of Cuba being inadequate to guard property from attack and at the same time properly to operate against the rebels, a force of American marines was dispatched from our naval station at Guantanamo into the Province of Oriente for the protection of American and other foreign life and property. The Cuban Government was thus able to use all its forces in putting down the outbreak, which it succeeded in doing in a period of six weeks. The presence of two American warships in the harbor of Habana during the most critical period of this disturbance contributed in great measure to allay the fears of the inhabitants, including a large foreign colony.

There has been under discussion with the Government of Cuba for some time the question of the release by this Government of its leasehold rights at Bahia Honda, on the northern coast of Cuba, and the enlargement, in exchange therefor, of the naval station which has been established at Guantanamo Bay, on the south. As the result of the negotiations thus carried on an agreement has been reached between the two Governments providing for the suitable enlargement of the Guantanamo Bay station upon terms which are entirely fair and equitable to all parties concerned.

At the request alike of the Government and both political parties in Panama, an American commission undertook supervision of the recent presidential election in that Republic, where our treaty relations, and, indeed, every geographical consideration, make the maintenance of order and satisfactory conditions of peculiar interest to the Government of the United States. The elections passed without disorder, and the new administration has entered upon its functions.

The Government of Great Britain has asked the support of the United States for the protection of the interests of British holders of the foreign bonded debt of Guatemala. While this Government is hopeful of an arrangement equitable to the British bondholders, it is naturally unable to view the question apart from its relation to the broad subject of financial stability in Central America, in which the policy of the United States does not permit it to escape a vital interest. Through a renewal of negotiations between the Government of Guatemala and American bankers, the aim of which is a loan for the rehabilitation of Guatemalan finances, a way appears to be open by which the Government of Guatemala could promptly satisfy any equitable and just British claims, and at the same time so improve its whole financial position as to contribute greatly to the increased prosperity of the Republic and to redound to the benefit of foreign investments and foreign trade with that country. Failing such an arrangement, it may become impossible for the Government of the United States to escape its obligations in connection with such measures as may become necessary to exact justice to legitimate foreign claims.

In the recent revolution in Nicaragua, which, it was generally admitted, might well have resulted in a general Central American conflict but for the intervention of the United States, the Government of Honduras was especially menaced; but fortunately peaceful conditions were maintained within the borders of that Republic. The financial condition of that country remains unchanged, no means having been found for the final adjustment of pressing outstanding foreign claims. This makes it the more regrettable that the financial convention between the United States and Honduras has thus far failed of ratification. The Government of the United States continues to hold itself ready to cooperate with the Government of Honduras, which it is believed, can not much longer delay the meeting of its foreign obligations, and it is hoped at the proper time American bankers will be willing to cooperate for this purpose.

NECESSITY FOR GREATER GOVERNMENTAL EFFORT IN RETENTION AND EXPANSION OF OUR FOREIGN TRADE

It is not possible to make to the Congress a communication upon the present foreign relations of the United States so detailed as to convey an adequate impression of the enormous increase in the importance and activities of those relations. If this Government is really to preserve to the American people that free opportunity in foreign markets which will soon be indispensable to our prosperity, even greater efforts must be made. Otherwise the American merchant, manufacturer, and exporter will find many a field in which American trade should logically predominate preempted through the more energetic efforts of other governments and other commercial nations.

There are many ways in which through hearty cooperation the legislative and executive branches of this Government can do much. The absolute essential is the spirit of united effort and singleness of purpose. I will allude only to a very few specific examples of action which ought then to result. America can not take its proper place in the most important fields for its commercial activity and enterprise unless we have a merchant marine. American commerce and enterprise can not be effectively fostered in those fields unless we have good American banks in the countries referred to. We need American newspapers in those countries and proper means for public information about them. We need to assure the permanency of a trained foreign service. We need legislation enabling the members of the foreign service to be systematically brought in direct contact with the industrial, manufacturing, and exporting interests of this country in order that American business men may enter the foreign field with a clear perception of the exact conditions to be dealt with and the officers themselves may prosecute their work with a clear idea of what American industrial and manufacturing interests require.

CONCLUSION

Congress should fully realize the conditions which obtain in the world as we find ourselves at the threshold of our middle age as a Nation. We have emerged full grown as a peer in the great concourse of nations. We have passed through various formative periods. We have been self-centered in the struggle to develop our domestic resources and deal with our domestic questions. The Nation is now too matured to continue in its foreign relations those temporary expedients natural to a people to whom domestic affairs are the sole concern. In the past our diplomacy has often consisted, in normal times, in a mere assertion of the right to international existence. We are now in a larger relation with broader rights of our own and obligations to others than ourselves. A number of great guiding principles were laid down early in the history of this Government. The recent task of our diplomacy has been to adjust those principles to the conditions of to-day, to develop their corollaries, to find practical applications of the old principles expanded to meet new situations. Thus are being evolved bases upon which can rest the superstructure of policies which must grow with the destined progress of this Nation. The successful conduct of our foreign relations demands a broad and a modern view. We can not meet new questions nor build for the future if we confine ourselves to outworn dogmas of the past and to the perspective appropriate at our emergence from colonial times and conditions. The opening of the Panama Canal will mark a new era in our international life and create new and world-wide conditions which, with their vast correlations and consequences, will obtain for hundreds of years to come. We must not wait for events to overtake us unawares. With continuity of purpose we must deal with the problems of our external relations by a diplomacy modern, resourceful, magnanimous, and fittingly expressive of the high ideals of a great nation.

WM. H. TAFT.

ANNUAL MESSAGE—Part II.

[On Fiscal, Judicial, Military and Insular Affairs.]

THE WHITE HOUSE, *December 6, 1912.*

To the Senate and House of Representatives:

On the 3d of December I sent a message to the Congress, which was confined to our foreign relations. The Secretary of State makes no report to the President or to Congress, and a review of the history of the transactions of the State Department in one year must therefore be included by the President in his annual message or Congress will not be fully informed of them. A full discussion of all the transactions of the Government, with a view to informing the Congress of the important events of the year and recommending new legislation, requires more space than one message of reasonable length affords. I have therefore adopted the course of sending three or four messages during the first ten days of the session, so as to include reference to the more important matters that should be brought to the attention of the Congress.

BUSINESS CONDITIONS

The condition of the country with reference to business could hardly be better. While the four years of the administration now drawing to a close have not developed great speculative expansion or a wide field of new investment, the recovery and progress made from the depressing conditions following the panic of 1907 have been steady and the improvement has been clear and easily traced in the statistics. The business of the country is now on a solid basis. Credits are not unduly extended, and every phase of the situation seems in a state of preparedness for a period of unexampled prosperity. Manufacturing concerns are running at their full capacity and the demand for labor was never so constant and growing. The foreign trade of the country for this year will exceed $4,000,000,000, while the balance in our favor—that of the excess of exports over imports—will exceed $500,000,000. More than half our exports are manufactures or partly manufactured material, while our exports of farm products do not show the same increase because of domestic consumption. It is a year of bumper crops; the total money value of farm products will exceed $9,500,000,000. It is a year when the bushel or unit price of agricultural products has gradually fallen, and yet the total value of the entire crop is greater by over $1,000,000,000 than we have known in our history.

CONDITION OF THE TREASURY

The condition of the Treasury is very satisfactory. The total interest-bearing debt is $963,777,770, of which $134,631,980 constitute the Panama Canal loan. The noninterest-bearing debt is $378,301,284.90, including $346,681,016 of greenbacks. We have in the Treasury $150,000,000 in gold coin as a reserve against the outstanding greenbacks; and in addition we have a cash balance in the Treasury as a general fund of $167,152,478.99, or an increase of $26,975,552 over the general fund last year.

RECEIPTS AND EXPENDITURES

For three years the expenditures of the Government have decreased under the influence of an effort to economize. This year presents an apparent exception. The estimate by the Secretary of the Treasury of the ordinary receipts, exclusive of postal revenues, for the year ending June 30, 1914, indicates that they will amount to $710,000,000. The sum of the estimates of the expenditures for that same year, exclusive of Panama Canal disbursements and postal disbursements payable from postal revenues, is $732,000,000, indicating a deficit of $22,000,000. For the year ending June 30, 1913, similarly estimated receipts were $667,000,000, while the total corresponding estimate of expenditures for that year, submitted through the Secretary of the Treasury to Congress, amounted to $656,000,000. This shows an increase of $76,000,000 in the estimates for 1914 over the total estimates of 1913. This is due to an increase of $25,000,000 in the estimate for rivers and harbors for the next year on projects and surveys authorized by Congress; to an increase under the new pension bill of $32,500,000; and to an increase in the estimates for expenses of the Navy Department of $24,000,000. The estimate for the Navy Department for the year 1913 included two battleships. Congress made provision for only one battleship, and therefore the Navy Department has deemed it necessary and proper to make an estimate which includes the first year's expenditure for three battleships in addition to the amount required for work on the uncompleted ships now under construction. In addition to the natural increase in the expenditures for the uncompleted ships, and the additional battleship estimated for, the other increases are due to the pay required for 4,000 or more additional enlisted men in the Navy; and to this must be added the additional cost of construction imposed by the change in the eight-hour law which makes it applicable to ships built in private shipyards.

With the exceptions of these three items, the estimates show a reduction this year below the total estimates for 1913 of more than $5,000,000.

The estimates for Panama Canal construction for 1914 are $17,000,000 less than for 1913.

OUR BANKING AND CURRENCY SYSTEM

A time when panics seem far removed is the best time for us to prepare our financial system to withstand a storm. The most crying need this country has is a proper banking and currency system. The existing one is inadequate, and everyone who has studied the question admits it.

It is the business of the National Government to provide a medium, automatically contracting and expanding in volume, to meet the needs of trade. Our present system lacks the indispensable quality of elasticity.

The only part of our monetary medium that has elasticity is the bank-note currency. The peculiar provisions of the law requiring national banks to maintain reserves to meet the call of the depositors operates to increase the money stringency when it arises rather than to expand the supply of currency and relieve it. It operates upon each bank and furnishes a motive for the withdrawal of currency from the channels of trade by each bank to save itself, and offers no inducement whatever for the use of the reserve to expand the supply of currency to meet the exceptional demand.

After the panic of 1907 Congress realized that the present system was not adapted to the country's needs and that under it panics were possible that might properly be avoided by legislative provision. Accordingly a monetary commission was appointed which made a report in February, 1912. The system which they recommended involved a National Reserve Association, which was, in certain of its faculties and functions, a bank, and which was given through its governing authorities the power, by issuing circulating notes for approved commercial paper, by fixing discounts, and by other methods of transfer of currency, to expand the supply of the monetary medium where it was most needed to prevent the export or hoarding of gold and generally to exercise such supervision over the supply of money in every part of the country as to prevent a stringency and a panic. The stock in this association was to be distributed to the banks of the whole United States, State and National, in a mixed proportion to bank units and to capital stock paid in. The control of the association was vested in a board of directors to be elected by representatives of the banks, except certain ex-officio directors, three Cabinet officers, and the Comptroller of the Currency. The President was to appoint the governor of the association from three persons to be selected by the directors, while the two deputy governors were to be elected by the board of directors. The details of the plan were worked out with great care and ability, and the plan in general seems to me to furnish the basis for a proper solution of our present difficulties. I feel that the Government might very properly be given a greater voice in the executive committee of the board of directors without danger of injecting politics into its management, but I think the federation system of banks is a good one, provided proper precautions are taken to prevent banks of large capital from absorbing power through ownership of stock in other banks. The objections to a central bank it seems to me are obviated if the ownership of the reserve association is distributed among all the banks of a country in which banking is free. The earnings of the reserve association are limited in percentage to a reasonable and fixed amount, and the profits over and above this are to be turned into the Government Treasury. It is quite probable that still greater security against control by money centers may be worked into the plan.

Certain it is, however, that the objections which were made in the past history of this country to a central bank as furnishing a monopoly of financial power to private individuals, would not apply to an association whose ownership and control is so widely distributed and is divided between all the banks of the country, State and National, on the one hand, and the Chief Executive through three department heads and his Comptroller of the Currency, on the other. The ancient hostility to a national bank, with its branches, in which is concentrated the privilege of doing a banking business and carrying on the financial transactions of the Government, has prevented the establishment of such a bank since it was abolished in the Jackson Administration. Our present national banking law has obviated objections growing out of the same cause by providing a free banking system in which any set of stockholders can establish a national bank if they comply with the conditions of law. It seems to me that the National Reserve Association meets the same objection in a similar way; that is, by giving to each bank, State and National, in accordance with its size, a certain share in the stock of the reserve association, nontransferable and only to be held by the bank while it performs its functions as a partner in the reserve association.

The report of the commission recommends provisions for the imposition of a graduated tax on the expanded currency of such a character as to furnish a motive for reducing the issue of notes whenever their presence in the money market is not required by the exigencies of trade. In other words, the whole system has been worked out with the greatest care. Theoretically it presents a plan that ought to command support. Practically it may require modification in various of its provisions in order to make the security against abuses by combinations among the banks impossible. But in the face of the crying necessity that there is for improvement in our present system, I urgently invite the attention of Congress to the proposed plan and the report of the commission, with the hope that an earnest consideration may suggest amendments and changes within the general plan which will lead to its adoption for the benefit of the country. There is no class in the community more interested in a safe and sane banking and currency system, one which will prevent panics and automatically furnish in each trade center the currency needed in the carrying on of the business at that center, than the wage earner. There is no class in the community whose experience better qualifies them to make suggestions as to the sufficiency of a currency and banking system than the bankers and business men. Ought we, therefore, to ignore their recommendations and reject their financial judgment as to the proper method of reforming our financial system merely because of the suspicion which exists against them in the minds of many of our fellow citizens? Is it not the duty of Congress to take up the plan suggested, examine it from all standpoints, give impartial consideration to the testimony of those whose experience ought to fit them to give the best advice on the subject, and then to adopt some plan which will secure the benefits desired?

A banking and currency system seems far away from the wage earner and the farmer, but the fact is that they are vitally interested in a safe system of currency which shall graduate its volume to the amount needed and which shall prevent times of artificial stringency that frighten capital, stop employment, prevent the meeting of the pay roll, destroy local markets, and produce penury and want.

THE TARIFF

I have regarded it as my duty in former messages to the Congress to urge the revision of the tariff upon principles of protection. It was my judgment that the customs duties ought to be revised downward, but that the reduction ought not to be below a rate which would represent the difference in the cost of production between the article in question at home and abroad, and for this and other reasons I vetoed several bills which were presented to me in the last session of this Congress. Now that a new Congress has been elected on a platform of a tariff for revenue only rather than a protective tariff, and is to revise the tariff on that basis, it is needless for me to occupy the time of this Congress with arguments or recommendations in favor of a protective tariff.

Before passing from the tariff law, however, known as the Payne tariff law of August 5, 1909, I desire to call attention to section 38 of that act, assessing a special excise tax on corporations. It contains a provision requiring the levy of an additional 50 per cent to the annual tax in cases of neglect to verify the prescribed return or to file it before the time required by law. This additional charge of 50 per cent operates in some cases as a harsh penalty for what may have been a mere inadvertence or unintentional oversight, and the law should be so amended as to mitigate the severity of the charge in such instances. Provision should also be made for the refund of additional taxes heretofore collected because of such infractions in those cases where the penalty imposed has been so disproportionate to the offense as equitably to demand relief.

BUDGET

The estimates for the next fiscal year have been assembled by the Secretary of the Treasury and by him transmitted to Congress. I purpose at a later day to submit to Congress a form of budget prepared for me and recommended by the President's Commission on Economy and Efficiency, with a view of suggesting the useful and informing character of a properly framed budget.

WAR DEPARTMENT

The War Department combines within its jurisdiction functions which in other countries usually occupy three departments. It not only has the management of the Army and the coast defenses, but its jurisdiction extends to the government of the Philippines and of Porto Rico and the control of the receivership of the customs revenues of the Dominican Republic; it also includes the recommendation of all plans for the improvement of harbors and waterways and their execution when adopted; and, by virtue of an Executive order, the supervision of the construction of the Panama Canal.

ARMY REORGANIZATION

Our small Army now consists of 83,809 men, excluding the 5,000 Philippine scouts. Leaving out of consideration the Coast Artillery force, whose position is fixed in our various seacoast defenses, and the present garrisons of our various insular possessions, we have to-day within the continental United States a mobile Army of only about 35,000 men. This little force must be still further drawn upon to supply the new garrisons for the great naval base which is being established at Pearl Harbor, in the Hawaiian Islands, and to protect the locks now rapidly approaching completion at Panama. The forces remaining in the United States are now scattered in nearly 50 posts, situated for a variety of historical reasons in 24 States. These posts contain only fractions of regiments, averaging less than 700 men each. In time of peace it has been our historical policy to administer these units separately by a geographical organization. In other words, our Army in time of peace has never been a united organization but merely scattered groups of companies, battalions, and regiments, and the first task in time of war has been to create out of these scattered units an Army fit for effective teamwork and cooperation.

To the task of meeting these patent defects, the War Department has been addressing itself during the past year. For many years we had no officer or division whose business it was to study these problems and plan remedies for these defects. With the establishment of the General Staff nine years ago a body was created for this purpose. It has, necessarily, required time to overcome, even in its own personnel, the habits of mind engendered by a century of lack of method, but of late years its work has become systematic and effective, and it has recently been addressing itself vigorously to these problems.

A comprehensive plan of Army reorganization was prepared by the War College Division of the General Staff. This plan was thoroughly discussed last summer at a series of open conferences held by the Secretary of War and attended by representatives from all branches of the Army and from Congress. In printed form it has been distributed to Members of Congress and throughout the Army and the National Guard, and widely through institutions of learning and elsewhere in the United States. In it, for the first time, we have a tentative chart for future progress.

Under the influence of this study definite and effective steps have been taken toward Army reorganization so far as such reorganization lies within the Executive power. Hitherto there has been no difference of policy in the treatment of the organization of our foreign garrisons from those of troops within the United States. The difference of situation is vital, and the foreign garrison should be prepared to defend itself at an instant's notice against a foe who may command the sea. Unlike the troops in the United States, it can not count upon reinforcements or recruitment. It is an outpost upon which will fall the brunt of the first attack in case of war. The historical policy of the United States of carrying its regiments during time of peace at half strength has no application to our foreign garrisons. During the past year this defect has been remedied as to the Philippines garrison. The former garrison of 12 reduced regiments has been replaced by a garrison of 6 regiments at full strength, giving fully the same number of riflemen at an estimated economy in cost of maintenance of over $1,000,000 per year. This garrison is to be permanent. Its regimental units, instead of being transferred periodically back and forth from the United States, will remain in the islands. The officers and men composing these units will, however, serve a regular tropical detail as usual, thus involving no greater hardship upon the personnel and greatly increasing the effectiveness of the garrison. A similar policy is proposed for the Hawaiian and Panama garrisons as fast as the barracks for them are completed. I strongly urge upon Congress that the necessary appropriations for this purpose should be promptly made. It is, in my opinion, of first importance that these national outposts, upon which a successful home defense will, primarily, depend, should be finished and placed in effective condition at the earliest possible day.

THE HOME ARMY

Simultaneously with the foregoing steps the War Department has been proceeding with the reorganization of the Army at home. The formerly disassociated units are being united into a tactical organization of three divisions, each consisting of two or three brigades of Infantry and, so far as practicable, a proper proportion of divisional Cavalry and Artillery. Of course, the extent to which this reform can be carried by the Executive is practically limited to a paper organization. The scattered units can be brought under a proper organization, but they will remain physically scattered until Congress supplies the necessary funds for grouping them in more concentrated posts. Until that is done the present difficulty of drilling our scattered groups together, and thus training them for the proper team play, can not be removed. But we shall, at least, have an Army which will know its own organization and will be inspected by its proper commanders, and to which, as a unit, emergency orders can be issued in time of war or other emergency. Moreover, the organization, which in many respects is necessarily a skeleton, will furnish a guide for future development. The separate regiments and companies will know the brigades and divisions to which they belong. They will be maneuvered together whenever maneuvers are established by Congress, and the gaps in their organization will show the pattern into which can be filled new troops as the Nation grows and a larger Army is provided.

REGULAR ARMY RESERVE

One of the most important reforms accomplished during the past year has been the legislation enacted in the Army appropriation bill of last summer, providing for a Regular Army reserve. Hitherto our national policy has assumed that at the outbreak of war our regiments would be immediately raised to full strength. But our laws have provided no means by which this could be accomplished, or by which the losses of the regiments when once sent to the front could be repaired. In this respect we have neglected the lessons learned by other nations. The new law provides that the soldier, after serving four years with colors, shall pass into a reserve for three years. At his option he may go into the reserve at the end of three years, remaining there for four years. While in the reserve he can be called to active duty only in case of war or other national emergency, and when so called and only in such case will receive a stated amount of pay for all of the period in which he has been a member of the reserve. The legislation is imperfect, in my opinion, in certain particulars, but it is a most important step in the right direction, and I earnestly hope that it will be carefully studied and perfected by Congress.

THE NATIONAL GUARD

Under existing law the National Guard constitutes, after the Regular Army, the first line of national defense. Its organization, discipline, training, and equipment, under recent legislation, have been assimilated, as far as possible, to those of the Regular Army, and its practical efficiency, under the effect of this training, has very greatly increased. Our citizen soldiers under present conditions have reached a stage of development beyond which they can not reasonably be asked to go without further direct assistance in the form of pay from the Federal Government. On the other hand, such pay from the National Treasury would not be justified unless it produced a proper equivalent in additional efficiency on the part of the National Guard. The Organized Militia to-day can not be ordered outside of the limits of the United States, and thus can not lawfully be used for general military purposes. The officers and men are ambitious and eager to make themselves thus available and to become an efficient national reserve of citizen soldiery. They are the only force of trained men, other than the Regular Army, upon which we can rely. The so-called militia pay bill, in the form agreed on between the authorities of the War Department and the representatives of the National Guard, in my opinion adequately meets these conditions and offers a proper return for the pay which it is proposed to give to the National Guard. I believe that its enactment into law would be a very long step toward providing this Nation with a first line of citizen soldiery, upon which its main reliance must depend in case of any national emergency. Plans for the organization of the National Guard into tactical divisions, on the same lines as those adopted for the Regular Army, are being formulated by the War College Division of the General Staff.

NATIONAL VOLUNTEERS

The National Guard consists of only about 110,000 men. In any serious war in the past it has always been necessary, and in such a war in the future it doubtless will be necessary, for the Nation to depend, in addition to the Regular Army and the National Guard, upon a large force of volunteers. There is at present no adequate provision of law for the raising of such a force. There is now pending in Congress, however, a bill which makes such provision, and which I believe is admirably adapted to meet the exigencies which would be presented in case of war. The passage of the bill would not entail a dollar's expense upon the Government at this time or in the future until war comes. But if war comes the methods therein directed are in accordance with the best military judgment as to what they ought to be, and the act would prevent the necessity for a discussion of any legislation and the delays incident to its consideration and adoption. I earnestly urge its passage.

CONSOLIDATION OF THE SUPPLY CORPS

The Army appropriation act of 1912 also carried legislation for the consolidation of the Quartermaster's Department, the Subsistence Department, and the Pay Corps into a single supply department, to be known as the Quartermaster's Corps. It also provided for the organization of a special force of enlisted men, to be known as the Service Corps, gradually to replace many of the civilian employees engaged in the manual labor necessary in every army. I believe that both of these enactments will improve the administration of our military establishment. The consolidation of the supply corps has already been effected, and the organization of the service corps is being put into effect.

All of the foregoing reforms are in the direction of economy and efficiency. Except for the slight increase necessary to garrison our outposts in Hawaii and Panama, they do not call for a larger Army, but they do tend to produce a much more efficient one. The only substantial new appropriations required are those which, as I have pointed out, are necessary to complete the fortifications and barracks at our naval bases and outposts beyond the sea.

PORTO RICO

Porto Rico continues to show notable progress, both commercially and in the spread of education. Its external commerce has increased 17 per cent over the preceding year, bringing the total value up to $92,631,886, or more than five times the value of the commerce of the island in 1901. During the year 160,657 pupils were enrolled in the public schools, as against 145,525 for the preceding year, and as compared with 26,000 for the first year of American administration. Special efforts are under way for the promotion of vocational and industrial training, the need of which is particularly pressing in the island. When the bubonic plague broke out last June, the quick and efficient response of the people of Porto Rico to the demands of modern sanitation was strikingly shown by the thorough campaign which was instituted against the plague and the hearty public opinion which supported the Government's efforts to check its progress and to prevent its recurrence.

The failure thus far to grant American citizenship continues to be the only ground of dissatisfaction. The bill conferring such citizenship has passed the House of Representatives and is now awaiting the action of the Senate. I am heartily in favor of the passage of this bill. I believe that the demand for citizenship is just, and that it is amply earned by sustained loyalty on the part of the inhabitants of the island. But it should be remembered that the demand must be, and in the minds of most Porto Ricans is, entirely disassociated from any thought of statehood. I believe that no substantial approved public opinion in the United States or in Porto Rico contemplates statehood for the island as the ultimate form of relations between us. I believe that the aim to be striven for is the fullest possible allowance of legal and fiscal self-government, with American citizenship as to the bond between us; in other words, a relation analogous to the present relation between Great Britain and such self-governing colonies as Canada and Australia. This would conduce to the fullest and most self-sustaining development of Porto Rico, while at the same time it would grant her the economic and political benefits of being under the American flag.

PHILIPPINES

A bill is pending in Congress which revolutionizes the carefully worked out scheme of government under which the Philippine Islands are now governed and which proposes to render them virtually autonomous at once and absolutely independent in eight years. Such a proposal can only be founded on the assumption that we have now discharged our trusteeship to the Filipino people and our responsibility for them to the world, and that they are now prepared for self-government as well as national sovereignty. A thorough and unbiased knowledge of the facts clearly shows that these assumptions are absolutely without justification. As to this, I believe that there is no substantial difference of opinion among any of those who have had the responsibility of facing Philippine problems in the administration of the islands, and I believe that no one to whom the future of this people is a responsible concern can countenance a policy fraught with the direst consequences to those on whose behalf it is ostensibly urged.

In the Philippine Islands we have embarked upon an experiment unprecedented in dealing with dependent people. We are developing there conditions exclusively for their own welfare. We found an archipelago containing 24 tribes and races, speaking a great variety of languages, and with a population over 80 per cent of which could neither read nor write. Through the unifying forces of a common education, of commercial and economic development, and of gradual participation in local self-government we are endeavoring to evolve a homogeneous people fit to determine, when the time arrives, their own destiny. We are seeking to arouse a national spirit and not, as under the older colonial theory, to suppress such a spirit. The character of the work we have been doing is keenly recognized in the Orient, and our success thus far followed with not a little envy by those who, initiating the same policy, find themselves hampered by conditions grown up in earlier days and under different theories of administration. But our work is far from done. Our duty to the Filipinos is far from discharged. Over half a million Filipino students are now in the Philippine schools helping to mold the men of the future into a homogeneous people, but there still remain more than a million Filipino children of school age yet to be reached. Freed from American control the integrating forces of a common education and a common language will cease and the educational system now well started will slip back into inefficiency and disorder.

An enormous increase in the commercial development of the islands has been made since they were virtually granted full access to our markets three years ago, with every prospect of increasing development and diversified industries. Freed from American control such development is bound to decline. Every observer speaks of the great progress in public works for the benefit of the Filipinos, of harbor improvements, of roads and railways, of irrigation and artesian wells, public buildings, and better means of communication. But large parts of the islands are still unreached, still even unexplored, roads and railways are needed in many parts, irrigation systems are still to be installed, and wells to be driven. Whole villages and towns are still without means of communication other than almost impassable roads and trails. Even the great progress in sanitation, which has successfully suppressed smallpox, the bubonic plague, and Asiatic cholera, has found the cause of and a cure for beriberi, has segregated the lepers, has helped to make Manila the most healthful city in the Orient, and to free life throughout the whole archipelago from its former dread diseases, is nevertheless incomplete in many essentials of permanence in sanitary policy. Even more remains to be accomplished. If freed from American control sanitary progress is bound to be arrested and all that has been achieved likely to be lost.

Concurrent with the economic, social, and industrial development of the islands has been the development of the political capacity of the people. By their progressive participation in government the Filipinos are being steadily and hopefully trained for self-government. Under Spanish control they shared in no way in the government. Under American control they have shared largely and increasingly. Within the last dozen years they have gradually been given complete autonomy in the municipalities, the right to elect two-thirds of the provincial governing boards and the lower house of the insular legislature. They have four native members out of nine members of the commission, or upper house. The chief justice and two justices of the supreme court, about one-half of the higher judicial positions, and all of the justices of the peace are natives. In the classified civil service the proportion of Filipinos increased from 51 per cent in 1904 to 67 per cent in 1911. Thus to-day all the municipal employees, over 90 per cent of the provincial employees, and 60 per cent of the officials and employees of the central government are Filipinos. The ideal which has been kept in mind in our political guidance of the islands has been *real* popular self-government and not mere paper independence. I am happy to say that the Filipinos have done well enough in the places they have filled and in the discharge of the political power with which they have been intrusted to warrant the belief that they can be educated and trained to complete self-government. But the present satisfactory results are due to constant support and supervision at every step by Americans.

If the task we have undertaken is higher than that assumed by other nations, its accomplishment must demand even more patience. We must not forget that we found the Filipinos wholly untrained in government. Up to our advent all other experience sought to repress rather than encourage political power. It takes long time and much experience to ingrain political habits of steadiness and efficiency. Popular self-government ultimately must rest upon common habits of thought and upon a reasonably developed public opinion. No such foundations for self-government, let alone independence, are now present in the Philippine Islands. Disregarding even their racial heterogeneity and the lack of ability to think as a nation, it is sufficient to point out that under liberal franchise privileges only about 3 per cent of the Filipinos vote and only 5 per cent of the people are said to read the public press. To confer independence upon the Filipinos now is, therefore, to subject the great mass of their people to the dominance of an oligarchical and, probably, exploiting minority. Such a course will be as cruel to those people as it would be shameful to us.

Our true course is to pursue steadily and courageously the path we have thus far followed; to guide the Filipinos into self-sustaining pursuits; to continue the cultivation of sound political habits through education and political practice; to encourage the diversification of industries, and to realize the advantages of their industrial education by conservatively approved cooperative methods, at once checking the dangers of concentrated wealth and building up a sturdy, independent citizenship. We should do all this with a disinterested endeavor to secure for the Filipinos economic independence and to fit them for complete self-government, with the power to decide eventually, according to their own largest good, whether such self-government shall be accompanied by independence. A present declaration even of future independence would retard progress by the dissension and disorder it would arouse. On our part it would be a disingenuous attempt, under the guise of conferring a benefit on them, to relieve ourselves from the heavy and difficult burden which thus far we have been bravely and consistently sustaining. It would be a disguised policy of scuttle. It would make the helpless Filipino the football of oriental politics, under the protection of a guaranty of their independence, which we would be powerless to enforce.

REGULATION OF WATER POWER

There are pending before Congress a large number of bills proposing to grant privileges of erecting dams for the purpose of creating water power in our navigable rivers. The pendency of these bills has brought out an important defect in the existing general dam act. That act does not, in my opinion, grant sufficient power to the Federal Government in dealing with the construction of such dams to exact protective conditions in the interest of navigation. It does not permit the Federal Government, as a condition of its permit, to require that a part of the value thus created shall be applied to the further general improvement and protection of the stream. I believe this to be one of the most important matters of internal improvement now confronting the Government. Most of the navigable rivers of this country are comparatively long and shallow. In order that they may be made fully useful for navigation there has come into vogue a method of improvement known as canalization, or the slack-water method, which consists in building a series of dams and locks, each of which will create a long pool of deep navigable water. At each of these dams there is usually created also water power of commercial value. If the water power thus created can be made available for the further improvement of navigation in the stream, it is manifest that the improvement will be much more quickly effected on the one hand, and, on the other, that the burden on the general taxpayers of the country will be very much reduced. Private interests seeking permits to build water-power dams in navigable streams usually urge that they thus improve navigation, and that if they do not impair navigation they should be allowed to take for themselves the entire profits of the water-power development. Whatever they may do by way of relieving the Government of the expense of improving navigation should be given due consideration, but it must be apparent that there may be a profit beyond a reasonably liberal return upon the private investment which is a potential asset of the Government in carrying out a comprehensive policy of waterway development. It is no objection to the retention and use of such an asset by the Government that a comprehensive waterway policy will include the protection and development of the other public uses of water, which can not and should not be ignored in making and executing plans for the protection and development of navigation. It is also equally clear that inasmuch as the water power thus created is or may be an incident of a general scheme of waterway improvement within the constitutional jurisdiction of the Federal Government, the regulation of such water power lies also within that jurisdiction. In my opinion constructive statesmanship requires that legislation should be enacted which will permit the development of navigation in these great rivers to go hand in hand with the utilization of this by-product of water power, created in the course of the same improvement, and that the general dam act should be so amended as to make this possible. I deem it highly important that the Nation should adopt a consistent and harmonious treatment of these water-power projects, which will preserve for this purpose their value to the Government, whose right it is to grant the permit. Any other policy is equivalent to throwing away a most valuable national asset.

THE PANAMA CANAL

During the past year the work of construction upon the canal has progressed most satisfactorily. About 87 per cent of the excavation work has been completed, and more than 93 per cent of the concrete for all the locks is in place. In view of the great interest which has been manifested as to some slides in the Culebra Cut, I am glad to say that the report of Col. Goethals should allay any apprehension on this point. It is gratifying to note that none of the slides which occurred during this year would have interfered with the passage of the ships had the canal, in fact, been in operation, and when the slope pressures will have been finally adjusted and the growth of vegetation will minimize erosion in the banks of the cut, the slide problem will be practically solved and an ample stability assured for the Culebra Cut.

Although the official date of the opening has been set for January 1, 1915, the canal will, in fact, from present indications, be opened for shipping during the latter half of 1913. No fixed date can as yet be set, but shipping interests will be advised as soon as assurances can be given that vessels can pass through without unnecessary delay.

Recognizing the administrative problem in the management of the canal, Congress in the act of August 24, 1912, has made admirable provisions for executive responsibility in the control of the canal and the government of the Canal Zone. The problem of most efficient organization is receiving careful consideration, so that a scheme of organization and control best adapted to the conditions of the canal may be formulated and put in operation as expeditiously as possible. Acting under the authority conferred on me by Congress, I have, by Executive proclamation, promulgated the following schedule of tolls for ships passing through the canal, based upon the thorough report of Emory R. Johnson, special commissioner on traffic and tolls:

1. On merchant vessels carrying passengers or cargo, $1.20 per net vessel ton—each 100 cubic feet—of actual earning capacity.

2. On vessels in ballast without passengers or cargo, 40 per cent less than the rate of tolls for vessels with passengers or cargo.

3. Upon naval vessels, other than transports, colliers, hospital ships, and supply ships, 50 cents per displacement ton.

4. Upon Army and Navy transports, colliers, hospital ships, and supply ships, $1.20 per net ton, the vessels to be measured by the same rules as are employed in determining the net tonnage of merchant vessels.

Rules for the determination of the tonnage upon which toll charges are based are now in course of preparation and will be promulgated in due season.

PANAMA CANAL TREATY

The proclamation which I have issued in respect to the Panama Canal tolls is in accord with the Panama Canal act passed by this Congress August 24, 1912. We have been advised that the British Government has prepared a protest against the act and its enforcement in so far as it relieves from the payment of tolls American ships engaged in the American coastwise trade on the ground that it violates British rights under the Hay-Pauncefote treaty concerning the Panama Canal. When the protest is presented, it will be promptly considered and an effort made to reach a satisfactory adjustment of any differences there may be between the two Governments.

WORKMEN'S COMPENSATION ACT

The promulgation of an efficient workmen's compensation act, adapted to the particular conditions of the zone, is awaiting adequate appropriation by Congress for the payment of claims arising thereunder. I urge that speedy provision be made in order that we may install upon the zone a system of settling claims for injuries in best accord with modern humane, social, and industrial theories.

PROMOTION FOR COL. GOETHALS

As the completion of the canal grows nearer, and as the wonderful executive work of Col. Goethals becomes more conspicuous in the eyes of the country and of the world, it seems to me wise and proper to make provision by law for such reward to him as may be commensurate with the service that he has rendered to his country. I suggest that this reward take the form of an appointment of Col. Goethals as a major general in the Army of the United States, and that the law authorizing such appointment be accompanied with a provision permitting his designation as Chief of Engineers upon the retirement of the present incumbent of that office.

NAVY DEPARTMENT

The Navy of the United States is in a greater state of efficiency and is more powerful than it has ever been before, but in the emulation which exists between different countries in respect to the increase of naval and military armaments this condition is not a permanent one. In view of the many improvements and increases by foreign Governments the slightest halt on our part in respect to new construction throws us back and reduces us from a naval power of the first rank and places us among the nations of the second rank. In the past 15 years the Navy has expanded rapidly and yet far less rapidly than our country. From now on reduced expenditures in the Navy means reduced military strength. The world's history has shown the importance of sea power both for adequate defense and for the support of important and definite policies.

I had the pleasure of attending this autumn a mobilization of the Atlantic Fleet, and was glad to observe and note the preparedness of the fleet for instant action. The review brought before the President and the Secretary of the Navy a greater and more powerful collection of vessels than had ever been gathered in American waters. The condition of the fleet and of the officers and enlisted men and of the equipment of the vessels entitled those in authority to the greatest credit.

I again commend to Congress the giving of legislative sanction to the appointment of the naval aids to the Secretary of the Navy. These aids and the council of aids appointed by the Secretary of the Navy to assist him in the conduct of his department have proven to be of the highest utility. They have furnished an executive committee of the most skilled naval experts, who have coordinated the action of the various bureaus in the Navy, and by their advice have enabled the Secretary to give an administration at the same time economical and most efficient. Never before has the United States had a Navy that compared in efficiency with its present one, but never before have the requirements with respect to naval warfare been higher and more exacting than now. A year ago Congress refused to appropriate for more than one battleship. In this I think a great mistake of policy was made, and I urgently recommend that this Congress make up for the mistake of the last session by appropriations authorizing the construction of three battleships, in addition to destroyers, fuel ships, and the other auxiliary vessels as shown in the building program of the general board. We are confronted by a condition in respect to the navies of the world which requires us, if we would maintain our Navy as an insurance of peace, to augment our naval force by at least two battleships a year and by battle cruisers, gunboats, torpedo destroyers, and submarine boats in a proper proportion. We have no desire for war. We would go as far as any nation in the world to avoid war, but we are a world power. Our population, our wealth, our definite policies, our responsibilities in the Pacific and the Atlantic, our defense of the Panama Canal, together with our enormous world trade and our missionary outposts on the frontiers of civilization, require us to recognize our position as one of the foremost in the family of nations, and to clothe ourselves with sufficient naval power to give force to our reasonable demands, and to give weight to our influence in those directions of progress that a powerful Christian nation should advocate.

I observe that the Secretary of the Navy devotes some space to a change in the disciplinary system in vogue in that branch of the service. I think there is nothing quite so unsatisfactory to either the Army or the Navy as the severe punishments necessarily inflicted by court-martial for desertions and purely military offenses, and I am glad to hear that the British have solved this important and difficult matter in a satisfactory way. I commend to the consideration of Congress the details of the new disciplinary system, and recommend that laws be passed putting the same into force both in the Army and the Navy.

I invite the attention of Congress to that part of the report of the Secretary of the Navy in which he recommends the formation of a naval reserve by the organization of the ex-sailors of the Navy.

I repeat my recommendation made last year that proper provision should be made for the rank of the commander in chief of the squadrons and fleets of the Navy. The inconvenience attending the necessary precedence that most foreign admirals have over our own whenever they meet in official functions ought to be avoided. It impairs the prestige of our Navy and is a defect that can be very easily removed.

DEPARTMENT OF JUSTICE

This department has been very active in the enforcement of the law. It has been better organized and with a larger force than ever before in the history of the Government. The prosecutions which have been successfully concluded and which are now pending testify to the effectiveness of the departmental work.

The prosecution of trusts under the Sherman antitrust law has gone on without restraint or diminution, and decrees similar to those entered in the Standard Oil and the Tobacco cases have been entered in other suits, like the suits against the Powder Trust and the Bathtub Trust. I am very strongly convinced that a steady, consistent course in this regard, with a continuing of Supreme Court decisions upon new phases of the trust question not already finally decided is going to offer a solution of this much-discussed and troublesome issue in a quiet, calm, and judicial way, without any radical legislation changing the governmental policy in regard to combinations now denounced by the Sherman antitrust law. I have already recommended as an aid in this matter legislation which would declare unlawful certain well-known phases of unfair competition in interstate trade, and I have also advocated voluntary national incorporation for the larger industrial enterprises, with provision for a closer supervision by the Bureau of Corporations, or a board appointed for the purpose, so as to make more certain compliance with the antitrust law on the one hand and to give greater security to the stockholders against possible prosecutions on the other. I believe, however, that the orderly course of litigation in the courts and the regular prosecution of trusts charged with the violation of the antitrust law is producing among business men a clearer and clearer perception of the line of distinction between business that is to be encouraged and business that is to be condemned, and that in this quiet way the question of trusts can be settled and competition retained as an economic force to secure reasonableness in prices and freedom and independence in trade.

REFORM OF COURT PROCEDURE

I am glad to bring to the attention of Congress the fact that the Supreme Court has radically altered the equity rules governing the procedure on the equity side of all Federal courts, and though, as these changes have not been yet put in practice so as to enable us to state from actual results what the reform will accomplish, they are of such a character that we can reasonably prophesy that they will greatly reduce the time and cost of litigation in such courts. The court has adopted many of the shorter methods of the present English procedure, and while it may take a little while for the profession to accustom itself to these methods, it is certain greatly to facilitate litigation. The action of the Supreme Court has been so drastic and so full of appreciation of the necessity for a great reform in court procedure that I have no hesitation in following up this action with a recommendation which I foreshadowed in my message of three years ago, that the sections of the statute governing the procedure in the Federal courts on the common-law side should be so amended as to give to the Supreme Court the same right to make rules of procedure in common law as they have, since the beginning of the court, exercised in equity. I do not doubt that a full consideration of the subject will enable the court while giving effect to the substantial differences in right and remedy between the system of common law and the system of equity so to unite the two procedures into the form of one civil action and to shorten the procedure in such civil action as to furnish a model to all the State courts exercising concurrent jurisdiction with the Federal courts of first instance.

Under the statute now in force the common-law procedure in each Federal court is made to conform to the procedure in the State in which the court is held. In these days, when we should be making progress in court procedure, such a conformity statute makes the Federal method too dependent upon the action of State legislatures. I can but think it a great opportunity for Congress to intrust to the highest tribunal in this country, evidently imbued with a strong spirit in favor of a reform of procedure, the power to frame a model code of procedure, which, while preserving all that is valuable and necessary of the rights and remedies at common law and in equity, shall lessen the burden of the poor litigant to a minimum in the expedition and cheapness with which his cause can be fought or defended through Federal courts to final judgment.

WORKMAN'S COMPENSATION ACT

The workman's compensation act reported by the special commission appointed by Congress and the Executive, which passed the Senate and is now pending in the House, the passage of which I have in previous messages urged upon Congress, I venture again to call to its attention. The opposition to it which developed in the Senate, but which was overcome by a majority in that body, seemed to me to grow out rather of a misapprehension of its effect than of opposition to its principle. I say again that I think no act can have a

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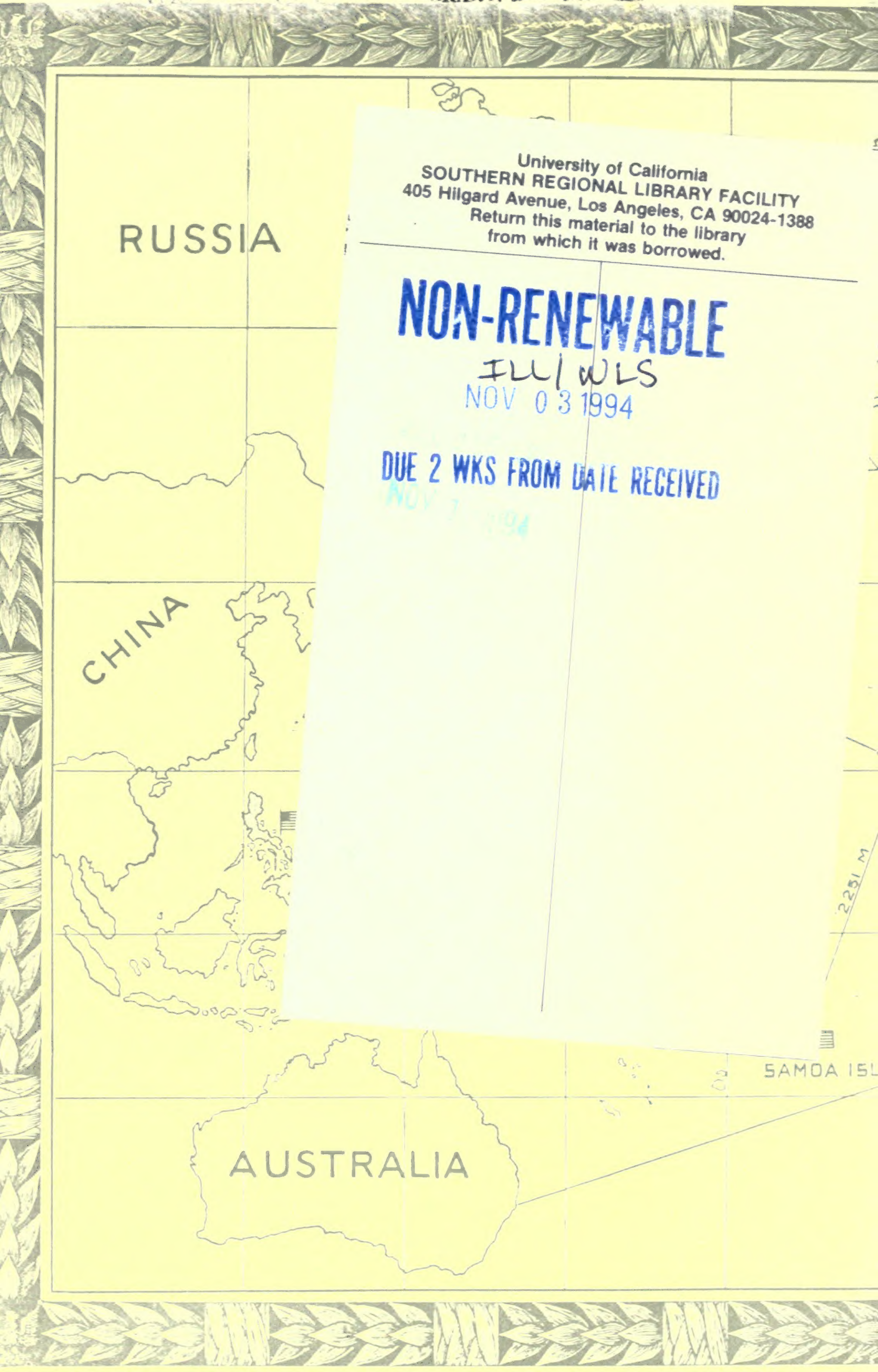
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